



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

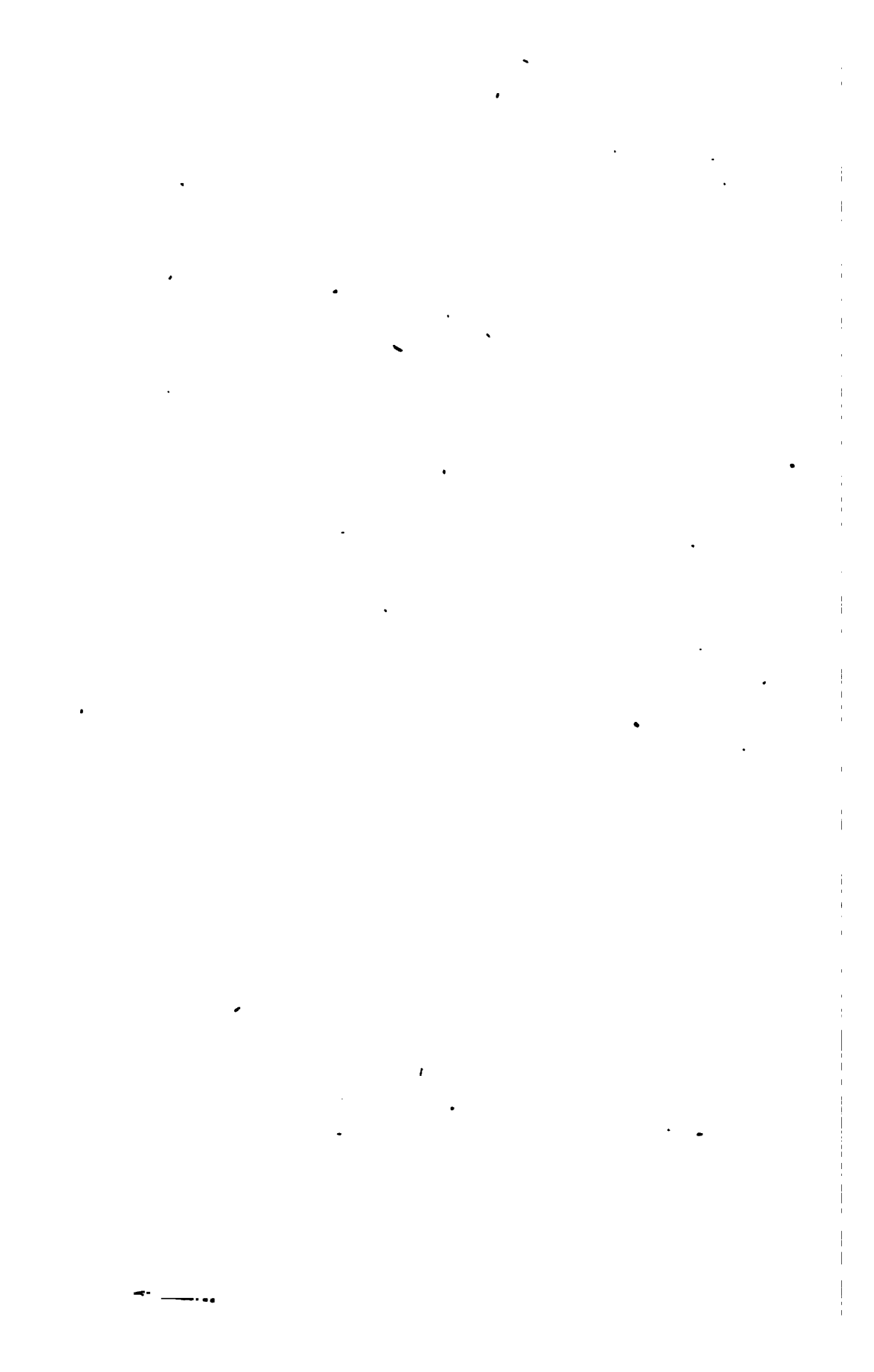
We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>





GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY

HEARINGS

BEFORE THE

**COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES**

SIXTY-FIFTH CONGRESS

THIRD SESSION

ON

H. R. 13324

JANUARY 21 TO JANUARY 30, 1919

PART 4



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES.

THETUS W. SIMS, Tennessee, Chairman.

FRANK E. DOREMUS, Michigan.

DAN V. STEPHENS, Nebraska.

ALBEN W. BARKLEY, Kentucky.

SAM RAYBURN, Texas.

ANDREW J. MONTAGUE, Virginia.

PERL D. DECKER, Missouri.

CHARLES P. COADY, Maryland.

ARTHUR G. DEWALT, Pennsylvania.

HARRY H. DALE, New York.

JOHN S. SNOOK, Ohio.

JARED Y. SANDERS, Louisiana.

JOHN J. ESCH, Wisconsin.

EDWARD L. HAMILTON, Michigan.

RICHARD WAYNE PARKER, New Jersey.

SAMUEL E. WINSLOW, Massachusetts.

JAMES S. PARKER, New York.

CHARLES H. DILLON, South Dakota.

BURTON E. SWEET, Iowa.

WALTER R. STINESS, Rhode Island.

JOHN G. COOPER, Ohio.

V. L. ALMOND, Clerk.

CONTENTS.

	Page.
J. Ogden Armour	621
Why prices are high.....	622
Nature of pending bill.....	624
How Armour & Co. grew.....	625
Profits reinvested.....	626
The first branches.....	626
Refrigerator cars open new fields.....	627
By-products utilization.....	627
Capital stock nominal.....	628
Four hundred per cent stock dividend.....	628
Profits and prices.....	629
Taking on outside lines.....	630
Potash and perfume.....	631
Aiding the Government—albumen.....	632
Packers in other fields.....	633
Live-stock cars.....	633
Stockyards and adjuncts.....	634
Packers make markets.....	635
Jacksonville (Fla.) stockyards.....	635
Ownership of stockyards and adjuncts immaterial.....	636
Market news essential.....	637
Financing cattlemen.....	637
Efficiency the essential.....	638
Refrigerator car lines.....	638
Products highly perishable.....	640
No discrimination.....	641
Cars lose money.....	641
Peddler cars not peddlers.....	642
Cars must be available.....	643
Superior service no crime.....	644
No control of groceries.....	645
Packer branch houses.....	645
Cold storage.....	646
Marketing problem solved.....	647
Find distant buyers.....	647
Distributing rice.....	648
Answer to collusion charges.....	650
“Percentage” purchases.....	651
Watching competitors.....	652
Selling competition.....	653
No joint action.....	656
Ethics are observed.....	656
Low profits ignored.....	657
High prices not due to packer.....	658
Business is intricate.....	658
Food Administration informed.....	659
Business is an uncertainty.....	659
Questions asked by—	
The Chairman.....	662
Mr. Esch.....	674
Mr. Doremus.....	679
Mr. Hamilton.....	680
Mr. Stephens.....	689
Mr. Rayburn.....	699
Mr. Hamilton.....	700
Mr. Montague.....	704
Mr. Hamilton.....	704

	Page.
J. Ogden Armour—Continued.	
Questions asked by—	
Mr. Barkley.....	710
Mr. Parker of New Jersey.....	719
Mr. Montague.....	723
Mr. Winslow.....	724
Mr. Decker.....	742
Mr. Dillon.....	750
Mr. Dewalt.....	763
Mr. Sweet.....	769
Mr. Snook.....	776
Mr. Cooper.....	780
Levy Myer.....	782
Louis F. Swift.....	812
General questions asked.....	827
Questions asked by—	
Mr. Sanders.....	828
Mr. Sweet.....	835
Mr. Decker.....	844
Mr. Dillon.....	859
Mr. Barkley.....	872
Mr. Winslow.....	881
Mr. Stephens.....	887
Mr. Parker of New Jersey.....	892
Mr. Snook.....	896
Mr. Dewalt.....	902
Mr. Montague.....	908
Mr. Hamilton.....	912
Mr. Esch.....	914
The Chairman.....	921
L. D. H. Weld.....	937
Federal Trade Commission has not established its case.....	947
Government couldn't fix live-stock prices.....	958
Profit of Swift & Co.....	959
War profits of Swift & Co. compared with war profits of other industries.....	961
The proposed bill.....	965
Refrigerator cars.....	965
Handling of other than meat products.....	969
Edward Morris.....	973
The Big Packer.....	974
Service of the big packers during the war.....	975
Volume and by-products.....	977
Profits.....	977
Cooperation.....	978
A damning indictment.....	979
The world-wide meat trust.....	980
Reconstruction period.....	982
The Federal Trade Commission does not recommend the taking over of the packing houses.....	982
The bill.....	983
Weekly report of meat-trade conditions.....	997
Scope and construction of the bill.....	1009
Query.....	1011
Market committee of the American National Live Stock Association.....	1013
Bank holdings.....	1018
The Kendrick bill.....	1018
Report of the Federal Trade Commission.....	1019
Other lines of business.....	1028
Purchase of live stock and sale of fresh meats.....	1037
Uniformity of live-stock purchase.....	1039
The bankers.....	1042
Fluctuations.....	1043
Testimony of Chairman Colver.....	1044
The small packer.....	1047
No showing requiring any legislation against the packers.....	1050
Certain points.....	1051
Conclusion.....	1053

CONTENTS.

v

Edward Morris—Continued.

Questions asked by—	Page.
Mr. Esch.....	1054
Mr. Dillon.....	1057
Mr. Montague.....	1062
Mr. Hamilton.....	1063
Mr. Winslow.....	1064
Mr. Sweet.....	1070
Mr. Hamilton.....	1072
Mr. Snook.....	1073
Mr. Doremus.....	1074
Mr. Stephens.....	1075
Mr. Barkley.....	1078
The chairman.....	1078
Miscellaneous questions asked.....	1080
J. A. McNaughton.....	1106
Thomas Creigh.....	1138
C. H. Brooks.....	1195
Thomas Creigh.....	1202
Thomas E. Wilson:	
Miscellaneous questions asked.....	1206
Questions asked by—	
The chairman.....	1238
Mr. Esch.....	1258
Mr. Montague.....	1264
Mr. Hamilton.....	1268
Mr. Decker.....	1271
Mr. Parker of New Jersey.....	1278
Mr. Stephens.....	1280
Mr. Winslow.....	1289
Mr. Snook.....	1302
Mr. Sweet.....	1308
Mr. Stiness.....	1318
Mr. Decker.....	1320
Mr. Hamilton.....	1337
Arthur G. Leonard.....	1341

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Tuesday, January 21, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. Mr. Armour, you may proceed in your own way and make your initial statement or your statement in chief, and I hope you will not be interrupted until you have announced yourself ready to answer any interrogatories that the members of the committee may think proper to ask you.

STATEMENT OF MR. J. OGDEN ARMOUR, ON BEHALF OF ARMOUR & CO., CHICAGO, ILL.

Mr. ARMOUR. Mr. Chairman, I have prepared a statement, which is a history of the packing business, and which I would like to read.

The CHAIRMAN. You may proceed in your own way.

Mr. ARMOUR. Mr. Chairman and gentlemen of the committee, before I enter into a discussion of the various provisions of the pending bill, now under investigation by this committee, and before I give you my views with reference to the specific matters referred to by the Federal Trade Commission or by Mr. Colver, its chairman, I want to make a brief preliminary statement.

The questions now on hearing are of nation-wide—yes, world-wide—importance and significance—They divide themselves primarily into two parts—first, are Armour & Co. a party, directly or indirectly, in any way or form, to a combination, or a conspiracy, or any kind of an arrangement that violates the law or the ethics of business; and, second, what is the cause of the high price of meat?

On the first question, I desire to say with all of the emphasis that words can convey that Armour & Co. are not now and have not been for many years a party, in the most remote degree, to any pool, arrangement, agreement, or combination of any kind whatever for the control, regulation, or limitation, or restriction of the purchase of live stock or the sale of the products or by-products thereof. Any and every statement which charges that such a combination or arrangement exists is untrue. There is not and has not for many years been any arrangement, any agreement, or any understanding or action or conduct of any kind whatever which in any possible way supports these charges. Armour & Co. are in no understanding, are in no agreement—express or implied—with any other packer or with any other person or company which has for its purpose or has the effect of limiting the amount or kind of live stock purchased or

to be purchased, or fixing the price or prices to be paid therefor, or arranging a division of territory, or controlling or regulating or fixing in the most remote degree the manner, the method, or price or prices at which any or all of the commodities dealt in by Armour & Co. are purchased, handled, distributed, or sold.

I shall go into more detail in the statement that follows on the questions that I have just referred to. In this connection, I want to say that at no time and under no circumstances have Armour & Co. or any of their representatives been given the opportunity or the chance or even the privilege of either answering or explaining, under oath or not under oath, any of the charges or matters to which I have just made reference. This is the first chance I have been given and I am glad to have the opportunity and exercise the right of an American citizen to explain to you and through you to the American people the real and the true facts.

Let me add here that in the investigation made by the Federal Trade Commission, and which has resulted in the pending bills, it has been admitted by Chairman Colver that we were afforded no opportunity to produce witnesses, to introduce testimony, to examine or cross-examine the witnesses called by the commission, or to explain or answer any of the letters or documents which were introduced at that hearing, or any of the innuendoes or charges based thereon. It has been admitted that that hearing was entirely *ex parte*, and to that extent I feel justified in saying, and I do say, without any desire to criticize the Federal Trade Commission or any of its members, that that method of procedure has worked very serious injury to our industry, not only in this country but also in foreign countries, and I think has been most unfair and unjust to us. Let me be clearly understood: I do not question the honesty of the Federal Trade Commission, but I leave it to the committee to say, after I have been heard in full, whether the course pursued has resulted in the ascertainment of the real truth and whether the method has not done grave injustice to Armour & Co. and to the industry in general.

I think that many of your committee are experienced and able lawyers. It hardly becomes a layman to say to such of you as are lawyers that anybody, no matter how honest, can be convicted of any offense if colored, *ex parte*, and unexamined hearsay evidence is permitted to go unchallenged and unexplained. One need but read at random any page of the voluminous record of the commissioner's investigations and he will be immediately confronted with the demonstration that evidence of that kind does not justify even a presumption that there has been a violation of the law.

WHY PRICES ARE HIGH.

The second question is one that concerns all of the people, because they all consume packing-house products—Why is the price of meat and other products of the packing house at present levels?

Bacon to-day costs you something like 70 cents a pound and you bought it four years ago for 25 or 30. What has caused that increase, is the principal question back of this proposed legislation. I believe that if that question be answered to the satisfaction of the public

there will be no call for such drastic measures as the pending bill provides. I am going to tell you as briefly as I can just why bacon costs you so much more to-day than it did before the war.

In 1915 our company paid for live hogs on the Chicago market an average price of \$7.10 per hundred pounds. In 1916 the average was \$9.60. In 1917 it went to \$15.10, and in 1918 it was \$17.45 per hundred live weight. It is the same and even higher now.

The increased price of the live hog in 1918 figures 245 per cent of the price paid in 1915.

But that increase is not the sole reason for high-priced bacon. Hogs dressed on the average about 70 per cent. That is, 70 per cent is pork and the remainder by-product material. This latter did not increase in value as rapidly as did the live animal, and so the meat portion of the animal—that is, the 70 per cent—had to carry nearly the whole burden of the increased price of the live animal. But even this does not cover all the reasons for increased prices. The cost of labor and clerical help doubled during the period in question, and the same holds true for fuel. In fact, every item entering into the cost of a pound of bacon greatly increased and augmented that 245 per cent increase caused by the mounting price of the live hog.

And that, gentlemen, is why bacon to-day costs something like three times what it did four years ago. What is true of bacon is true of other meat foods. The price of live cattle increased proportionately during the period in question and so did the price of sheep. To show you the effect upon our profits of the high prices prevailing now, I will read to you my report which accompanied our annual financial statement just issued on January 15. It reads as follows:

Record high prices for meat produced record low profits for the fiscal year 1918. Though the volume of business represented a tremendous increase over 1917 (approximately 50 per cent), the abnormally high prices of all commodities we used, and consequently of the products we sold, so impaired commercial conditions that our profit margins were reduced almost to the vanishing point. Labor costs, taxes, and other outlays were so heavy that in the year of our greatest commercial activity our profits were less, per dollar of sales, than at any time in our history.

Our gross volume of sales in this country, both domestic and for export, was \$861,000,000, compared with \$575,000,000 in 1917. In spite of this increase our net profit was but 1.8 cents on each dollar of sales, as compared with 3.7 cents in 1917. Our net income for the period (fifty-three weeks) was \$15,247,837.53, at the rate of 9 per cent on our average net capital invested and 14.7 per cent on our common stock (after provisions for dividends on preferred). Two million dollars, or only 2 per cent, has been paid out in dividends on the common stock, we being compelled to reinvest the balance, over \$13,000,000, in the business to meet the ever increasing demand for additional facilities; this in addition to the \$60,000,000 which we borrowed on our convertible debentures.

Our profit account shows that we, along with the consumer, have suffered because of high prices. Our business is predicated on a rapid turnover of a big tonnage at a small margin of profit, and high prices are not conducive to quick turnover. We are helpless in the matter of reducing prices. They are high because of the heights to which live stock and labor have gone. Our labor costs last year were \$20,000,000 more than the preceding year. The same number of pounds of live stock cost us in 1918 \$100,000,000 more than in 1917. The United States Government, through the agency of the Food Administration, compels us to pay a minimum of \$17.50 per hundred pounds, live weight, for hogs, which can not, at that figure, produce cheap bacon, pork, and other hog products; and cattle at \$16 or more per hundred pounds on the hoof can not produce cheap beef. Stock raisers assert that such prices are necessary to pay them for the increased cost of production, and we realize the need for

prices which will encourage continued agricultural effort. While the extraordinary demand from Europe continues there is little prospect of lower prices.

The United States Government, through the Food Administration, formulated on November 1, 1917, regulations limiting our profits in a more drastic manner than was prescribed for any other industry. Thus, our profits were limited to 2.5 per cent on our volume and 9 per cent per annum on the capital invested in the meat-producing lines. We were able to earn only a very small fraction of the amount allowed on volume, and only about one-half of the authorized return on invested capital.

We are more than recompensed for the greatly lessened profits by the satisfaction which comes from the knowledge that our company was a factor in winning the war. Our ability to meet the tremendous food demands of the fighting millions in Europe, an ability made possible only by the magnitude, the scope, and the efficiency of our organization, was of inestimable value to the United States and to the allies.

During the year we delivered to our Government and to its European associates food products of a value of \$241,000,000 from our plants in this country alone. We sent forth thousands of tons of food and got back a minimum of complaint, and not a word of criticism as to the efficiency of our service.

Our more than 60,000 employees are entitled to a large measure of credit for the accomplishments of the year, for without their loyalty and ungrudging cooperation it would have been impossible to have delivered the food which meant victory.

To meet war requirements we had to greatly increase our investments. This increase in 1918 amounted to approximately \$90,000,000, of which \$20,000,000 was for additional plant facilities and capital assets and \$70,000,000 in increased inventories and outstanding accounts. To finance this expansion the company in June sold \$60,000,000 of 6 per cent debentures, maturing one-sixth each year, 1919 to 1924, inclusive, and convertible into the company's new 7 per cent preferred stock, thus offering to the public an opportunity to participate in the management and profits of our business. Approximately \$7,000,000 of debentures have already been converted, and some 2,400 additional persons have thus become preferred stockholders in Armour & Co.

It has been necessary for our foreign corporations to retain all of their own earnings in order to assist in financing their own development.

Despite the handicaps of the year—traffic congestion, fuel and labor shortage, scarcity of coal, tin, and other supplementary supplies, and the difficulties incident to abnormal forcing of the capacity of our plants—our company retains its effectiveness and complete ability to perform its economic and industrial functions. It is of the greatest importance to the producers and the consumers of this Nation that we exist as a marketing machine. The wealth of the soil is valueless until it is taken to the consumer in shape for use, and our company is a machine for the development of markets. In a country as vast as ours national distribution and market development is essential, and only a national organization can efficiently do the work. As our country grows our company will have to expand, for only by so doing can we adequately meet the purpose and necessities for which we exist.

During the past year we have operated under the rules and regulations prescribed by the United States Food Administration, and we have faithfully met their every requirement.

NATURE OF PENDING BILL.

Since I left college at the age of 19, I have been connected with Armour & Co., and my life's work has had to do with the problems incident to the feeding of the Nation. I make this prediction: The legislation now proposed can not work to the interest of the producer except at the expense of the consumer; it can not cripple the meat-packing industry and fail to make the general public suffer.

I interpret this bill as an effort to dissolve an alleged monopoly and to decentralize the meat-packing industry. It seems to be constructed in the belief that a great number of small units engaged in the purveying of food is preferable to a few which are organized on

a national scale. It is charged that if the present movement in the food industry continues, it will mean the elimination of certain competing factors now existing.

I say to you that to condemn the railroad for putting the stage coach out of business is as reasonable as any condemnation of the packing industry for the progress it has made in solving the scientific problems involved in moving food from the farm to the table.

Unity of purpose is the demand of the world to-day. We have witnessed the merger of practically every civilized nation for the accomplishment of a task which, separately, they could not have accomplished. We have seen possible defeat turned into glorious victory by the centralization of military command after the utter failure of the representatives of that school of thought which fears to create power lest it be abused.

William G. McAdoo gave expert opinion on the matter of commercial or industrial power when he stated to Congress recently:

I am frank to say that I do not believe that these important reforms can possibly be accomplished if we are to have in the future several hundred different railroad companies, as we have had in the past.

The great organizations which exist in the meat-packing industry illustrate the kind of unity which economists agree produce the greatest efficiency of service.

It is said that our size and power makes it difficult for others to enter competition. To a certain extent that is a fact, because it is difficult to duplicate in a day anything which has been half a century in the making. Our country was not built in a day and no possible kind of a conspiracy could have conjured it up; neither was Armour & Co. the result of anything other than industry and painstaking and, if I may say it, intelligently directed efforts to improve and expand through rendering better and cheaper service.

HOW ARMOUR & CO. GREW.

Great size in itself does not cause efficiency, but great efficiency eventually runs to size.

I assume that you want to know just how there came to be such large organizations as are being considered here, and I am going to give you enough of the financial history of Armour & Co. to show how the size of the firm is the result of honest and logical growth and an ability to render the best and most economical service.

The present-day Armour & Co. dates from 1867, but it had its real inception in 1863 when my father, Philip D. Armour, became the junior partner in the little Milwaukee packing firm of Plankinton & Layton, the name of which automatically changed to Plankinton & Armour.

The packing business then was far from being what it is to-day. Plankinton & Armour were essentially pork packers or, more literally, pork curers and packers. There was no refrigeration in those days and the packers did not handle fresh meat except in a limited and local way during the winter months. Curing and packing were winter jobs only, and the distributing of the cured pork was attended to after warm weather had made additional slaughtering and curing impracticable.

The Chicago firm of Armour & Co. was at first subsidiary to Plankinton & Armour; but it was not long before the tail began wagging the dog, and in 1868 it represented a capital investment of \$160,000. From the very first it was the policy of Armour & Co. to skimp on dividends in order that the greater part of the profits could be reinvested in the business.

PROFITS REINVESTED.

The policy of reinvestment has been carried out so consistently in the succeeding years that 87.90 per cent of the total earnings have been reinvested in the business and only 12.10 per cent has been drawn out for the personal and private use of the owners.

The ethics of thus reinvesting a large portion of earnings have come in for considerable discussion and the theory has been advanced by some that the capitalization of profits is improper and calculated to conceal true earnings. I can not see how any reasonable and far-sighted person can entertain such a belief. The great merchants of all ages were for the most part men who started out with their total capital represented by the merchandise pack on their backs. They sold to advantage and reinvested their profits in more merchandise and gradually built up their business until they could afford stores. The building-up process did not stop there, and some of the great mercantile establishments of the world to-day are monuments to the practice of the reinvestment of earnings.

If it is wrong to reinvest profits, it is wrong to buy war-savings stamps with the interest from liberty bonds; it is wrong for the Bible to hold up as an example the servant who traded so skillfully with the 5 talents given him by his master that he turned them into 10 talents.

THE FIRST BRANCHES.

In 1869 Simeon B. Armour, a brother of Philip D. Armour, began cattle-killing operations at Kansas City under the firm name of Plankinton & Armour. Most of the cattle killed by the Kansas City branch of the firm were pickled. This Kansas City institution developed under the guidance of my father's brothers, and in 1883 became Armour Packing Co., which merged with Armour & Co. in 1900.

The packing business was still largely a pickling business up to this time, despite the fact that the refrigerator car had been invented in 1868 and given a try out in 1869, when dressed beef was shipped to Boston during the winter months following the first consolidation of a through-line railway from Chicago to the Atlantic coast.

In 1872 Armour & Co. moved their Chicago plant into the Union Stock Yards, which had grown rapidly after their establishment in 1865, and in 1874 my father built the first large chill room in the world. Armour & Co. had grown to such proportions in 1875 that my father moved to Chicago to take personal charge of the business. With him came Michael Cudahy, superintendent of the Plankinton & Armour plant at Milwaukee, to act as superintendent of the Chicago plant. It is of interest to note that Mr. Cudahy became a partner in Armour & Co. in 1877 and remained in the firm until 1890, when he secured possession of a plant at Omaha and founded and began operations under the name of Cudahy Packing Co.

REFRIGERATOR CARS OPEN NEW FIELDS.

Several noteworthy events in the industry took place at this time. Probably the most important was the utilization by the Armour Packing Co. of the newly invented refrigerator cars for the systematic marketing of fresh beef. My father saw very clearly that the refrigerator car was the "open sesame" to a business of tremendous proportions, that it linked the meat-producing sections of the great West to the more densely populated and heavy meat-consuming centers in the East.

Up to this time there was no such thing as an adequate fresh-beef supply in the East, and such western beef as got there went alive in stock cars. Moving cattle from the prairies where production costs were low to the eastern centers of consumption, where grazing lands did not exist, entailed transportation which was both poor and costly. A 1,000-pound steer so transported represented 550 pounds of dressed meat and 450 pounds of what was then practically all waste, but which figured in the transportation charges for all that. The refrigerator car offered a way to get beef from the West to the East even in summertime, and Armour & Co. set out to take advantage of that fact.

A snag was encountered at the very outset. The railroads did not take kindly to the suggestion that they build refrigerator cars for the transportation of fresh meat. Whether it was because they feared a loss of revenue as a result of a diminution of the traffic in live animals between the ranges of the West and the cities of the East, or whether it was merely reticence about trying out a new-fangled idea, at any rate they refused to add refrigerator cars to their equipment.

No amount of reasoning or pleading moved them, and eventually Armour & Co. were compelled to build their own fleet of refrigerator cars.

Business expanded rapidly with the invention of the refrigerator car, due to the novel opportunity of eating fresh meat in what was then considered the "off season."

BY-PRODUCTS UTILIZATION.

During the decade from 1880 to 1890 Armour & Co. continued to expand rapidly as new methods of endeavor opened up. It was during this period that the utilization of by-products began, and the development of that part of our business, more than any other factor, accounts for our being engaged in so many industries which at first glance seem unrelated to meat packing.

In 1880 the firm found a satisfactory outlet for beef suet by beginning the manufacture of oleomargarine. Two years later methods were found for using blood, bones, and meat scrap. In 1884 the firm engaged in the glue business so as to have an outlet for great quantities of animal material that in the past had been wasted. The following year the firm was able to put a high-grade pepsin and a beef extract on the market, and in the years that followed ways and means were found to utilize everything in or on a meat animal.

I assume that you know the economic aspects of this by-product development—how it has enabled the producer to get more for his

meat animal and the consumer to pay less, proportionately, for his meat. The big packers are to be credited with this development, for without their quantity production the by-products industry could not have been developed. For example, 5,000 steers must be killed before we can produce 1 pound of posterior pituitary substance from which is made a pituitary liquid, a drug valuable in preventing shock after a wound is sustained. Needless to say, small packers could not produce many pounds of pituitary liquid, because by the time they have killed any considerable number of animals the pituitary glands from the first animals killed have ceased to be usable.

From 1890 to 1900 the firm continued growing and expanding. We entered into the manufacture of dry sausage, largely for export, in order to better utilize coarser cuts of meat, which, while perfectly good and wholesome in every way, did not lend themselves to sale to best advantage on the market. We went into the fertilizer business primarily to utilize the great quantity of packing-house waste. A similar reason caused us to enter into the soap-making industry.

Both of these latter businesses have long since ceased to depend upon packing-house waste for raw material, but for all that we regard them as important phases of our business. During this decade the firm's total earnings were equal to 11.70 per cent annually on the invested capital, and 71 per cent of the aggregate was reinvested in the business.

CAPITAL STOCK NOMINAL.

In 1900 the corporation of Armour & Co. was formed, succeeding the partnership of Armour & Co., and at this time a merger was effected with Armour Packing Co., Kansas City, because of the death of its head, Mr. Kirkland B. Armour. The capital stock of Armour & Co., the corporation, was \$20,000,000 and the combined capital stock and surplus \$33,438,981.41. As has heretofore been stated, from the beginning of the business in 1867 to the present day it has always been the policy of Armour & Co. to reinvest the most of their profits each year in the business of the company. This is made necessary by the nature of the business itself. Notwithstanding the great part of the profits are put back into the business, we are and always have been very large borrowers of money.

During 1868 to 1880 over 80 per cent of the profits of the firm was put back into the business as earned in order to enable it to meet the increasing demands on it owing to the development of the live-stock industry. During the 14 years preceding the breaking out of the great war, of the aggregate earnings of the company 86.26 per cent was reinvested in the business. From the beginning of the war until the time the United States entered into it, of the aggregate earnings of the company, 88.38 per cent was reinvested in the business. In 1917 and 1918 over 91 per cent was thus reinvested.

FOUR HUNDRED PER CENT STOCK DIVIDEND.

Let me take this occasion to comment on the much-talked-of 400 per cent stock dividend which we declared in 1916, and which has often been cited as an example of the enormous profits being made

in the packing industry. The Federal Trade Commission, in an official report to Congress, gave currency to this. They said:

Thus Armour & Co. in 1916 raised its capital stock from \$20,000,000 to \$100,000,000 without receiving a dollar of cash.

That statement is entirely misleading.

It implies that by some magic the company put in the pockets of the stockholders \$80,000,000 without receiving one cent in return therefore. This is not a fact. By this transaction the stockholders did not receive one penny. It merely gave each stockholder five shares of stock where formerly he held one, the value of which was equal to the five which replaced it. It was merely a bookkeeping transaction, perfectly honest and legitimate in every respect. Our company was a family concern. Its few stockholders did contribute every penny of that capital. As I have already shown, during the development of the business from its inception in 1867 down to the time of the declaration of that stock dividend the stockholders, instead of taking the earnings each year out of the business by way of personal dividends to themselves, allowed the profits to remain and be reinvested in the business; thus each year each stockholder was reinvesting his proportion of the earnings of the business for that year in the business itself and thus contributed to its capital. The surplus out of which this dividend was declared was not a liquid surplus, but largely brick and mortar, supplies and inventories representing extensions and improvements in the plants and business, having then a growth and development of half a century. The actual fixed and working capital on which the company was doing its business was actually contributed dollar for dollar by the stockholders by refraining from taking their profits out of the business. The sole and only purpose was to make the actual share capital of the company more commensurate with the actual capital investment therein. Let me say further regarding this stock dividend: Whereas stock dividends ordinarily are intended to give the holder of stock a greater equity in the business on which to earn dividends and to so affect the market value of his stock, in this particular case there was no such motive, because Armour & Co. were a close corporation, with the stock, as I have said, held almost entirely in the Armour family, and none of it was on the market.

The sum total of our reinvestments since 1868 represent Armour & Co. to-day, and I submit the above facts to show how it was possible for a \$160,000 firm to grow into a concern of our present proportions with, I think, credit to the owners of the business and with benefit to the general public.

PROFITS AND PRICES.

Our financial statement, which I have already read to you, shows that our profits are negligible in so far as either the producer or the consumer is concerned. On our total volume of business they represent a return of less than 2 cents on every dollar of sales. The margin of profit in the packing industry is the smallest enjoyed by any industry of national consequence, and of the many firms which are engaged in packing the ones which have come in for the most condemnation at the hands of the Federal Trade Commission are those which

earn the least per dollar of sales. Note that in its special report on profiteering the Federal Trade Commission says that some 60 or more of the so-called "Independents" earned as much or more than did the "Big Five." Look at any financial compendium of corporate earnings and you will find that the per cent of net earnings on turnover, or on capital invested in our company is less than that in most, if not all, other big industries.

TAKING ON OUTSIDE LINES.

One of the most common reasons cited when attempts are made to heckle or cripple the packing industry is that its entrance into fields other than that of meat packing is conducive to the building up of a food-purveying organization too broad in its scope to be for the best interests of the general public. I note that the chairman of the Federal Trade Commission has said:

The commission has no objection to mere size of an industry, but when a big concern ramifies into other fields to the detriment of legitimate business it is time to call a halt.

On that same basis the mail-order houses and department stores should be driven out, and the automobile industry should have been suppressed when trucks began invading the realm of the horse, and the United States post office should have been called up with a turn when it inaugurated the Parcel Post System to compete with express companies.

While primarily our business was built to handle only meat products we have found that there are certain seasons when the equipment would not be in use nor our sales force occupied if we confined them strictly to the meat-food business. In particular, during the years 1911, 1912, 1913, and 1914 the supply of live cattle and hogs in this country was lower than they had been for quite a number of years while the population had greatly increased, with the result that meat-food products to be handled through our distributing agencies were decreasing while our expenses were increasing, which would have inevitably resulted in higher prices on all meat-food products to consumers. Not only was this true but the trade to whom we sold were continually soliciting us to handle certain lines of food products, and one reason we are to-day in the business of selling such food products as canned vegetables, canned fruits, and other similar food products is that we may more profitably utilize our marketing facilities and organization at all seasons and times of the year, and thus reduce our cost to market and our overhead expense. We are thus enabled to sell many products at lower prices, which directly benefits the trade and the consumer and is for the accommodation of our customers. This makes it possible for them to obtain more of their goods embraced in one delivery, one invoice, one collection, and this reduces the cost of handling goods all around, to the benefit of the ultimate consumer. There are also a great many organizations in the United States which produce products over and above their ability to sell them. We have found it to our advantage and to the advantage of the producers as well as the consumers to use our distributing facilities for taking care of these products. By reason of handling these other products we are able to carry on this food line

of business at a minimum profit, because we can and do keep down the expense of the marketing of the food products by using our sales force and distributing facilities on the other lines. I will refer hereinafter in more detail to this matter. Whatever advantage we may have over our competitor in the handling of these goods lies in the high character of the goods we sell and the character of the service rendered.

To a great extent also the better utilization of our packing-house waste products led us into these many so-called outside lines.

POTASH AND PERFUME.

It seems a long jump from potash to perfume, and why Armour & Co., should be handling two such products, which seem unrelated at first glance, is not apparent to the casual observer or maybe to those whose information is entirely of an ex parte nature. But there is a definite relation between potash and perfume.

Potash is bought and sold by the Armour Fertilizer Works, an auxiliary of Armour & Co. Potash is not a by-product of the packing business, but it is a logical business associate of fertilizer materials which come from the packing plants and it is handled because we have the necessary marketing machinery and because trade requirements compel us to handle it if we expect success in marketing our own fertilizer materials.

Perfume, on the other hand, is manufactured and marketed by the Armour Soap Works, another auxiliary. Perfume is not a by-product of the packing business, but it is a necessary supplement to a line of toilet soaps, and our soap business would not meet with a great deal of success if we refused to handle perfumery. The manufacture of soap gives us an outlet for a great deal of the residue from the carcass of meat animals, and that is why we are in the soap business.

Potash, therefore, is the brother of packing-house fertilizer materials and perfume is a sister to toilet soaps. Inasmuch as fertilizer and soap are off-springs of the packing industry, potash becomes the cousin of perfume.

By a similar commercial relation, a violin bow becomes cousin to the paper label on a tin can. We sell violin bows and we sell paper labels, and an ex parte investigation might fail to disclose the relation between the two, but there is a close relation for all that. Musical strings, as you probably know, are made largely from the intestines of animals. Our company was a pioneer in this country in the manufacture of such strings and it thus became possible for us to market to advantage a by-product of meat animals, which formerly we had to waste or ship to Europe in the hope of selling to string manufacturers there. We now sell this product in foreign countries, which field was until recently covered by manufacturers in Germany and Austria. To make the story brief, the marketing of musical strings led us into the marketing of the logical associates of musical strings, and that is how we happen to have violin bows for sale.

In our business we have need for hundreds of millions of paper labels. In fact our need for them was so great that we entered into the business of printing them and the Armour Printing Works became a department of our business. We made the works adequate to

fill our own orders even at rush times and so it became possible for us to sell labels to outside concerns during part of the year at least.

Coca-Cola has been cited as one of the products which we handled and which seemingly has no connection whatever with our business. The fact is that the Coca-Cola people have developed a demand for their product which is sufficiently strong to enable them to dispense with a distributive system of their own. I understand that they have no salesmen and that they do not ship direct to consumers. They handle their product entirely through jobbers or other agencies for distributing supplies. Our salesmen who call on the trade were asked by the trade to supply Coca-Cola, seeing that there were no Coca-Cola salesmen making the round, and so we became, through our salesmen, a distributor for the Coca-Cola Co. I may say in this connection that we have no interest whatever in the Coca-Cola Co.

In a similar manner there is a definite and logical relation between the packing business and all of the so-called outside lines which we handle and for which some of our competitors would have us condemned. Our entering into these various lines has not been detrimental to the best interests of the great consuming public. On the contrary, the public has been tremendously benefited. The quality of goods has been higher and the price lower.

ADING THE GOVERNMENT—ALBUMEN.

The list of articles mentioned in the testimony of Chairman Colver, of the Federal Trade Commission, to show the scope of our "ramifications," as he puts it, is misleading, in that no one of the various packing concerns handles all the articles listed. A comparison between our catalogue and that of a typical wholesale grocery or a mail-order house would show that our products come nearer being related than do those shown in the others.

Take, for instance, the second item in Mr. Colver's list—albumen. Albumen can be obtained from blood, and the Armour Fertilizer Works' chemists worked out a method for so doing. We were extracting a little albumen from animal blood when the war broke out. Now, one of the war's requisites is the airplane, and in the building of airplanes a wood veneer is very generally used. It was essential that this veneer be glued on so that the dampness up in the clouds would not cause it to loosen and send our aviators hurling down to earth. It was found that a glue which is impervious to water could be made from albumen, such as we alone in this country were producing. We immediately increased our plant capacity and turned the product over to the Government, and airplane production plans were not stayed by lack of this special kind of glue.

In May, 1917, at a meeting of the chemical committee of the National Council of Defense in Washington, it was developed that there was urgent need for potassium permanganate to be used in gas masks for the neutralization of toxic gases, and the chemical industry was asked to prepare quickly for the manufacture of this chemical, as none was known to be made in the United States. The research laboratory of the Armour Fertilizer Works had developed a small plant for the manufacture of this material, and the entire output of this plant was immediately turned over to the Government for war purposes. All our contracts with the trade were at once can-

celed. The price named to the company making the completed gas-neutralizing agent for the Government was one-half of the contract price at which the entire product had theretofore been sold by us. As long as permanganate was needed for this purpose it was supplied to the full capacity of the plant. Its manufacture was interfered with, evidently by enemy agents, and tankful of solution were emptied into the sewers. An actual loss was incurred by the Armour Fertilizer Works in taking care of the needed demand.

I desire to incorporate into my statement here an editorial on this general subject which appeared in the January 6, 1919, issue of the Daily News, of Chicago, which, as everybody knows, is regarded as reflecting public opinion in the Middle West, and which I value highly for that reason. The News says:

PACKERS IN OTHER FIELDS.

In explaining and advocating the administration bill, so called, for licensing and regulating the transportation and marketing ends of the meat-packing industry, William B. Colver, chairman of the Federal Trade Commission, claimed to have obtained evidence that the big packers seek to control and dominate the grocery business. Already, he told the House Committee on Commerce, this domination ranges from 10 to 50 per cent.

Mr. Colver disclaimed opposition to "the mere size of an industry." He had no quarrel with the big packers, he asserted, just because they were successful or highly efficient. What he objected to was their desire to "ramify," to invade other fields "to the detriment of legitimate business." Such invasion, he said, should be checked by legislation. It is not illegal under existing law, but should be illegal, contends Mr. Colver, and this is in part the design of the extraordinary measure prepared by the Federal Trade Commission.

Mr. Colver has stated the case with commendable frankness and clearness. He must realize, however, that he seeks legislation of a novel and radical character. He wishes to protect legitimate business against invasion, but the invasion must be "detrimental" to warrant interference with. Detrimental to whom? All competition may be called invasion by those who happen to be in possession of a given field, yet the policy of the law is to encourage competition. Is a big and efficient competitor dangerous because he can establish branch houses, reduce prices, and otherwise accommodate the consuming public? Is it "detrimental" to the public to have branch houses, extensive delivery systems, reasonable prices? And if certain tendencies are detrimental to small business, but beneficial to consumers, are the interests of the consumer to be sacrificed to those of small business?

Several years ago there was much agitation against the big department stores and legislation was demanded to protect the small retail stores that had to compete with them. Who regrets to-day that the agitation failed and that the big department store was not taxed or regulated out of existence? Perhaps the case of the packers is different, but that remains to be proved to the satisfaction of sound economists and enlightened men generally. The questions raised by the antipackers' bill are so complicated and important that Congress will surely appreciate the necessity of hearing all sides and giving the subject full and scientific consideration.

Further along in my statement, when I discuss the refrigerator-car lines and branch houses, I intend to return to this subject of packer side lines and give further reasons why it is not only proper but of benefit to the consuming public and to the Nation's producers that organizations such as Armour & Co. should furnish the means for widespread marketing of products.

LIVE-STOCK CARS.

Getting down to the actual charges and recommendations of the Federal Trade Commission, we find first that the Government own-

ership of live-stock cars is urged. This, says Mr. Culver, chairman of the Federal Trade Commission, is the least important of the various provisions; but "since the theory we are proceeding on is that private ownership of means of transportation by competitors is perhaps the root of the difficulties," he recommends that these be Government owned or railroad owned.

Armour & Co. own no live-stock cars. One of our subsidiaries, New York Butchers' Dressed Meat Co., does not own but leases about 150 live-stock cars in order to enable it to successfully carry on the business of shipping cattle from the West to its abattoir situated in Greater New York. These cars are used entirely for the movement of live stock from Chicago to New York.

Our abattoir in New York is devoted exclusively to the slaughter of cattle for the Jewish trade of Greater New York. The committee may not, perhaps, be familiar with the fact that the orthodox Jewish trade requires what is known as "Kosher" meat; that is, meat which has been slaughtered by a Jewish rabbi, and which is identified by the Kosher symbol. It is incumbent under the tenets of the orthodox Jewish religion that meat be eaten within 72 hours after slaughter; hence it can not be slaughtered at points distant from consumption, like Chicago, and transported to New York. This necessitates a slaughtering house at New York to furnish this large trade with fresh beef, and the company purchases its cattle at various markets and transports them to its slaughtering plant in Greater New York. On account of the fact that the eastern railroads have not a sufficient supply of live-stock cars, it was necessary to lease these cars in order that this company might be assured of an adequate supply of cars for the transportation of live animals to its plant. As a matter of fact, there are many times, even with the supply that is leased to us, when we have difficulty in securing sufficient live-stock cars of any kind. These cars leased by us for this purpose do not earn enough mileage to cover the rental we pay for them, and we would be pleased to be relieved of our contract for the use of these cars if we could be assured that we would be furnished an adequate supply by the railroads. They are simply leased by us as a necessity to take care of the supply of this plant in Greater New York.

We agree with Mr. Culver that this is the least important of the provisions of the bill, because it is the least destructive.

STOCKYARDS AND ADJUNCTS.

The second important provision of the pending legislation tends to bring about Government ownership of the stockyards and such adjuncts thereto as terminal and belt railways, exchange buildings, rendering plants, serum plants, market newspapers, possibly, if not probably, banks, and cattle-loan associations. The Federal Trade Commission chooses to regard packer interest in such institutions and enterprises as detrimental to the best interests of live-stock producers and the general public.

That is as far from the truth as it is possible to get.

The ex parte information gleaned by the Federal Trade Commission failed completely to develop the reasons for the meat packers being interested in these various enterprises, and left its members

unaware of the fact that the meat packers are entitled largely to the credit for whatever measure of service these facilities render the producers.

Packing plants are the reason for stockyards, terminal railways, exchange buildings, stockyards, banks, cattle-loan associations, market newspapers, etc., just as is water the reason for the grass and the trees in a desert oasis. Until there was water there was no grass, and some of the water had to be used in growing the grass.

I do not know of any stockyards which were of any consequence or service to the producers until some important packer got interested and installed a plant. The minute a packing plant begins operating, it means a real market for meat animals, and such a market demands that there be facilities for handling live stock. This has always meant the building of new yards or the expansion and improvement of existing ones. It has been the locating of new packing plants from time to time all over the country that has made stockyards necessary at those points. When you stop building packing plants there is a stoppage of new stockyards, and such a stoppage will be a serious blow to the live-stock grower.

PACKERS MAKE MARKETS.

For example: At Fort Worth, before Armour & Co. and Swift & Co. went there the total receipts of the stockyards the previous year were less than 227,000 head of stock. Armour & Co. and Swift & Co. bought the yards and installed packing plants and the market has now reached the point where the total annual receipts are 3,540,000 head of stock, nearly 1,600 per cent increase. There are probably men in this room who can remember the day when you could go to Denver with a trainload of live stock and could not sell a carload. A larger packing house coming in there gave a market for live stock.

JACKSONVILLE (FLA.) STOCKYARDS.

It has been but a few years since Armour & Co. established a packing plant at Jacksonville, Fla., and in connection therewith a stockyards for the proper receipt and handling of cattle which might come to that market. Our attention was directed there in this way: In 1912 and 1913, when we had a cattle shortage in the United States, we bought several thousand cattle in Georgia and Tennessee, and one day received a wire from Kissimmee, Fla., offering us 5,000 head of grass cattle. I did not know there was such a place and at that time I doubt if anyone in the packing business dreamed that there were 5,000 cattle in the whole State of Florida that could be used for beef. We finally bought the cattle in question, which we shipped to St. Louis. This was our introduction to Florida. We later sent representatives through that territory and found prospects for beef production so good that we considered locating a plant there. Immediately that became known, the prominent business men of Jacksonville extended to us the hand of welcome and urged upon us the erection of a plant at Jacksonville. There was at this time no hog business in Florida. The custom of buying live stock in Florida had been for the slaughterer to go into the country, make his purchases,

contracting for so many cattle for delivery on a certain day. Our experience had taught us that stockyards are necessary in a packing center to insure a regular supply of live stock for the plant and an everyday market for the growers of live stock. We therefore decided to establish a small stockyards near our plant at Jacksonville. Before the plant was completed another canvass of the situation showed a need for facilities for hog slaughtering, and we established them. The first live stock were slaughtered in November, 1916. For several weeks the supply of hogs was far in excess of the supply of cattle, contrary to our expectations, but it was fortunate, indeed, that we had stockyards to yard and care for this flood of live stock which appeared on the scene. This plant and stockyards established by us in Jacksonville has opened up the live-stock business in Florida. The stockyards there are open to all—anyone can buy or sell stock there, and there is plenty of room for anyone to go into the business if they care to. I think the establishment of such yards and plant at Jacksonville met with the general approval of the public and of the live-stock raisers in Florida especially.

Lest this committee get the impression from the pending legislation that packer ownership of stockyards does not meet public approval, I want to say this: There is hardly a city in the country to-day that would not welcome the establishment of such a market by Armour & Co. or any other of the large packers. We are constantly in receipt of proposals from bodies of representative citizens of various cities that we establish such yards and operate them. We are offered everything from free sites to large bonuses as inducements to locate. One of the reasons we are now building a great plant at South St. Paul is that the city held out such allurements that we could not very well refuse, especially as the territory adjoining gives promise of being one of the best meat-production centers in the country.

OWNERSHIP OF STOCKYARDS AND ADJUNCTS IMMATERIAL.

My position relative to ownership of the stockyards is this: As a packer, I am interested in seeing the yards handled in the most efficient way possible, and it is absolutely immaterial to me as to who owns them. Ownership by the Government implies red tape and restrictions which can not help but add to the costs of the service—costs which must eventually be borne either by the producer or the consumer. Government ownership implies, too, the abolition of the private initiative and enterprise which has made it possible to erect an efficient stockyards almost overnight when occasion justified it. The Government, you know, does not make up its mind very quickly on such matters, as is evidenced by the years of controversies over the building of post offices or such comparatively trivial matters as to whether or not cities should have underground mail chutes. It is only because I fear less efficient operation and the consequent serious results that I make these comments, but I am entirely willing and ready to at once relinquish my holdings upon being allowed just compensation therefor.

My reasons for having interests in the adjuncts to stockyards are almost identical with my reasons for having invested in stockyards. I am frank to say that I hoped every time I made an investment of this nature that eventually it would pay, but the overwhelming and

deciding reason was the effect it would have upon the business of meat packing—which is my job in life.

Terminal railways are adjuncts to stockyards and they aid in making them better able to function. Exchange buildings are also adjuncts—made necessary by the needs of commission men for offices and places to conduct the business of buying and selling meat animals. Some of our critics charge that our interests in stockyards and exchange buildings give us a club over the head of the commission man who must do our bidding or be relegated to undesirable offices in the exchange building or have distant and undesirable pens in the yards assigned to him. Such charges are utterly untrue and are too petty to deserve further comment.

MARKET NEWS ESSENTIAL.

Market dailies are necessary adjuncts to stockyards. The yard which does not have a paper carrying its live-stock quotations and its market news to the producers for many miles around is doomed to failure. I am a believer in the power of advertising, and a daily market paper is the only means which will enable a market to compete with other markets drawing from the same or near-by sources and properly advertised. To-day we have a financial interest in but one paper—the stockyards market paper at Denver—and we will gladly dispose of it at any time. Our sole interest is that it develop to the utmost its power to help make the Denver market bigger and better.

FINANCING CATTLEMEN.

Our interest in stockyards banks and cattle-loan associations is comparable to our interest in stockyards market papers. Cattlemen, like meat packers, operate largely on borrowed money, but individual cattlemen find it difficult to secure loans. It must not be forgotten that the center of the cattle-producing industry is well west of the Mississippi, and that the center of the Nation's finances is a considerable distance east of that river. Eastern bankers do not take kindly to proposals from some remote ranchman of the far West that a loan of \$100,000 be made to enable the raising of cattle. Cattle-loan companies do not lend money. For a brokerage commission, they discount and guarantee the note of the borrower, and the note is then rediscounted in the financial centers of the East. If the rancher fails to get money, he can not produce cattle; and if enough ranchers fail to produce cattle, think what a blow it would be to the meat-packing industry and to the Nation.

It is good business, therefore, for the meat packer to use his credit and his financial standing to make it possible for the far western rancher to get money from the far eastern banker. And we have done that very thing through the medium of stockyards banks and cattle-loan associations in which we have acquired interests.

That we have made a profit on the business thus transacted is beside the question. The only point that counts is that our interests in stockyards banks and cattle-loan associations, are beneficial to the producers; in fact, many of them have attained importance and grown prosperous on the money obtained by them from cattle-loan associations in which we had an interest.

RENDERING AND SERUM PLANTS.

Rendering plants, like the other adjuncts of the stockyards, are of benefit to the public. Except for them the farmer's dead stock would be worthless. The Federal Trade Commission decided at its ex parte investigation that our being engaged in the rendering business was not desirable. We deny that claim emphatically, but if it is thought the United States will prove better able to conduct the rendering business than the present management, we will cheerfully relinquish for just compensation our interests there, just as in the case of stockyards—more so, in fact, because in the case of rendering plants the packing industry has much less at stake than it has in seeing that the stockyards are kept in a state of efficiency.

Relative to the serum business: I believe there are 16 serum plants in the country, and only 2 plants in which the packers are interested. We happened to be interested in a serum plant at Kansas City two and a half years ago when hog cholera was prevalent in the West, and at a time when there was not enough serum to meet the demand, nor was the serum then sold always of best quality. We entered this business with the knowledge that it is to the interest of our industry to help prevent epidemics among the farmers' live-stock herds.

EFFICIENCY THE ESSENTIAL.

In a general way, I want to answer those recommendations of the commission which seek to separate from the packing industry the stockyards and adjuncts thereto, with the assertion that Armour & Co.'s most ardent desire is that the various institutions and enterprises included be efficiently and successfully operated. If there is any way to relieve the packers of their interests without lessening the service rendered, we will readily find other and maybe more satisfactory ways to utilize the money so released. And let me say here that our interests in these various auxiliaries of the live-stock industry do not consist of watered stock. An appraisal of the value of the stockyards at Omaha on orders from the Nebraska State Railways Commission discloses the fact that the property was actually worth more than its capital investment, and I am confident that other appraisals would disclose the same conditions regarding the other stockyards and related industries.

REFRIGERATOR CAR LINES.

It is proposed to constitute the ownership and operation of refrigerator and specially constructed cars for the transportation of live stock and its products exclusively a Government function. In support of this recommendation Mr. Colver in his testimony states that the packers' ownership of refrigerator cars is a great advantage to them as against competitors who do not own such cars, that the ownership and operation of such cars is a railroad function, and that such equipment of cars or rolling stock necessary to transfer dressed beef is a transportation, not a packing, operation. In this connection I should like to refer your committee to the full report and findings of the Interstate Commerce Commission in the matter of private

cars, Docket 4906, dated July 31, 1918, after exhaustive examination for almost six years of the subject. I quote a brief part of that report. On page 672 the commission says:

The Congress has thus recognized the use of privately owned cars in transporting the commerce of the country and has provided for their control by the commission through rules and regulations of carriers hauling them.

For more than 30 years privately owned cars have been extensively used to transport commodities in interstate commerce. They came into use originally because the railroad would not or did not supply them in sufficient quantities to meet the demand. Practically all carriers have refused to furnish tank cars for transportation of oil and other liquids, or cars with brine tanks and racks for transportation of carcass meat. There are certain exceptions to this rule, which will be considered later. Refiners of petroleum oils with substantial unanimity state that as a practical matter carriers could not furnish tank cars in a manner to insure their efficient use.

And on page 673:

If private ownership or control of cars of particular types results in greater economy and more efficient use, the whole public is to that extent benefited. * * *

In the beginning carriers could no doubt have insisted upon their right to furnish all equipment. They did not do so, and in the course of years there has grown up a system of private ownership of such magnitude and importance that it must be reckoned with as an existing condition. * * *

On page 683:

The amounts paid by the carriers for the use of tank cars or refrigerator cars does not permit of the operation of any of them at a profit considered reasonable by owners, and has not during any time during the last six years, and some of them were and are operated at a loss, taking into account a return on the investment, cost of repairs, maintenance, and depreciation.

It is clearly established that shippers of petroleum oil, fresh meat, packing-house products, and dairy products could not have done the volume of business they have done in the past or that their plants were constructed to do, except they had possessed themselves of private cars over which they could exercise and have exercised control. The refiner of oil or the meat packer could no more do business on an economical and efficient basis without his private cars than he could without his modern equipped refining or packing plant. The private-car part of the business has grown with the rest. Doubtless in the beginning demands were made by these shippers that carriers should supply tank and meat cars, but it was quickly demonstrated that business could not be done in the most effective manner were carriers to own or control cars of that kind. As a rule carriers have never furnished these cars, and it has come to be mutually understood that they should not do so. The oil refiner and meat packer demand an adequate supply of cars at all times. It is conceded by the shippers that neither an adequate supply nor its efficient distribution can be afforded by carriers. The requirement has been that there shall be the most efficient use of tank and refrigerator cars, which has been one of the results of private ownership. While this has absolutely been of benefit to carriers, it has been of incalculable benefit to shippers as well.

I assume that this committee needs no information from me as to the necessity for there being always on hand and available sufficient refrigerator cars to handle supplies of fresh meat which go out from the packing plants everywhere and which can be kept in prime condition only a matter of a few days and then only at the price of continuous care and watchfulness. Fresh meat, you will bear in mind, must be sold within a week or 10 days after slaughter. Without refrigerator cars, the packing industry would revert to where it was two generations ago—a business of curing meat in the cold weather and delivering it smoked or pickled in the summer. Last week the Food Administration telephone from Washington an order to the

Chicago packers for 20,000,000 pounds of meat-food products for relief use in Europe. This vast quantity of meat required 660 refrigerator cars, which had to be loaded and on their way in 48 hours in order to make connections with outgoing steamers at New York. This is one of many like instances which have occurred since April, 1917, when we entered the war. What does the committee believe would have happened if in the cited and many other instances the packers had not been fortified for such instantaneous service by control of their own refrigerator cars?

PRODUCTS HIGHLY PERISHABLE.

The meat-refrigerator car is different from the ordinary refrigerator cars in that it is equipped with brine tanks and beef rails, from which latter the carcass beef is suspended in the cars.

It is necessary to have the brine tanks in these cars in which is placed crushed ice and salt in order to secure and maintain a low temperature in the cars, as fresh meat is of such a highly perishable nature that it requires a very low temperature to properly care for it.

The meat before loading is chilled in the cooling rooms of the plants and is loaded direct from the cooler into the refrigerator cars which have been previously iced and reduced to a temperature sufficiently low to properly protect the shipments.

These food products are distributed to all points in the United States and as they are perishable it is impossible to hold them at distributive centers for an indefinite length of time; therefore, the movement must be constant from points of production to points of consumption if the people are to be assured of fresh, wholesome meat products. In order to accomplish this it is necessary to have an adequate supply of suitable refrigerator cars at all times.

It has always been our purpose to own only enough cars to handle our usual business requirements. It has been our effort to secure maximum service from a minimum number of cars. This, of course, contemplates prompt movement to packing centers of the cars either loaded or empty from the points to which shipped.

In testifying, Mr. Colver has called attention to delays encountered by certain packers in the handling by railroads of their cars and cited an instance of requiring six or nine months to make a round trip loaded and empty between St. Louis and New York. I am at a total loss to understand how this could occur if the shipper was attending to his business and making known his requirements. Mr. Colver also made the statement that the packer-owned refrigerator car moved at the rate of 84 miles a day, whereas refrigerator cars owned by railroads and supplied to a shipper who does not own cars moved at the rate of only 46 miles a day. If we are able to get 84 miles a day out of our cars as opposed to 46 miles per day which railroads make with their own cars, this is an accomplishment for which we should be given credit rather than condemnation. It is certainly not the intention of Mr. Colver to advocate Government ownership of packers' cars in order to reduce their daily travel to that of some other shipper who is less diligent in seeing that his cars are moved promptly. In any such discrimination exists it could be amply remedied through the railroad handling such cars.

NO DISCRIMINATION.

With respect to similar discrimination alleged to have been practiced against certain shippers on the movement of their own cars, the Interstate Commerce Commission, in the matter of private cars, Docket 4906, commented as follow:

The obligation to treat each shipper fairly, no matter how small his shipments may be in comparison with those of another shipper, is one carriers can not escape. Whether under the terms of the act the carriers have been guilty of unjust discrimination in the cases referred to, can not be determined on this record. The duty imposed on the carrier by law is to give equal treatment to all shippers who are in position to demand it. Where the same carrier or carriers serve two shippers, who by their location, the character of their output, and distance from markets where their products must be disposed of, are in substantially similar circumstances and conditions, the serving carrier or carriers can not lawfully prefer one to the other in any manner whatsoever.

Meat packers everywhere are under compulsion, if they are to ship carcass meat, to supply themselves with cars and carriers transport them under arrangements with the shippers. If the carriers were required to publish in their tariffs a rule to the effect that private cars when unloaded at destination, unless otherwise ordered by the owner or lessee, will be promptly transported loaded or empty in the direction of the plant of the owner or lessee, doubtless much of the apparent injustice hereinbefore referred to would be avoided. A rule similar in terms to that suggested was applied by carriers with respect to foreign cars on their lines previous to April 26, 1917, but it was not applicable to private cars.

Shippers of oil in tank cars are required to furnish the cars, and many shippers of perishable products other than fresh meat find it necessary to own or control cars because they can not in any other manner secure an adequate supply. The suggested rule should apply to all private cars in order to prevent discrimination, and to secure owners such use of their cars as their necessities may require.

In respect to the suggestion that beef cars belonging to certain shippers were used for onions, we are not surprised as our equipment is often misused, and we find it necessary to keep close check in order to prevent such abuse and maintain the car supply necessary for protection of our shipments; and it is to be attributed to our diligence in this respect and not to favoritism by the carrier that the mileage of our cars aggregates per day what it does. As was said by the Interstate Commerce Commission in their adoption in the matter of private cars heretofore referred to:

No class of cars in railroad service is used more effectively than cars owned by the large shippers. They have an organization of men to see to it that their cars move as promptly as possible, both loaded and empty. The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done by the intervention of private owners.

I wish to say that Armour & Co. operate refrigerator cars as a business necessity and not as a profit-seeking venture. Our income from cars is 1 cent per mile per car, and it is absolutely immaterial whether our goods are being transported in our cars or not, the rate is the same; likewise there is the same freight rate whether the shipment is in our own cars or not and the rate is identical with that paid by other shippers whether they have cars of their own or whether they use cars supplied to them by the railroads.

CARS LOSE MONEY.

Armour & Co. have for the last six years sustained a loss in the operation of their meat cars. For the past 13 years the packing-house

cars show an average profit of twenty-nine one-hundredths of 1 per cent, and for the past 6 years they show an average loss of 3.58 per cent. For the year ending November 2, 1918, our meat refrigerator cars lost \$395,953.72. They are not a profitable investment, but are an essential and necessary one in the operation of the business. In this connection I may say that all private cars are subject to the jurisdiction of the Interstate Commerce Commission, both with respect to their methods of operation, practices pertaining to them, and compensation to be paid by carriers for their use. This is shown clearly by amendment to section 1 of the act to regulate commerce, approved May 29, 1917, which is as follows:

The commission shall, after hearing on a complaint or on its own initiative without complaint, establish reasonable rules, regulations, and practices with respect to car service, including the classification of cars, compensation to be paid for the use of any car not owned by any such common carriers, and the penalties or other sanctions for nonobservance of such rules.

These cars are and have been, of course, for sometime subject to acquisition and control by the Federal Railroad Administration under the act of Congress for the acquisition and operation by the Government of railroads during the period of war, but by decision of that administration that control was not assumed.

PEDDLER CARS NOT PEDDLERS.

In connection with operation of the refrigerator cars there has been some comment as to the route car, or, as designated by Mr. Colver, the "peddler" car. I should like to say a word about this. The route car is one of the means by which meat is distributed to those towns not large enough to maintain a branch house or distributing agency or even to enable the retailer to order his meats in carload lots. The accusation is that the cars are used to "peddle" meats and thus hurt the business of the local butchers. It is not true that this is a peddling proposition. These cars are certainly of great advantage and benefit to the local butchers as well as the consumers, and were brought into existence to meet the present requirements of the community at large and can not fairly be considered as an advantage to the packers so much as an advantage to the people.

If the community were sufficiently large, carload lots could be shipped to these various points to much greater advantage to the packer and at a considerable less expense. But the demand in the small place is as urgent as it is limited; the retailers and the consumers there must have fresh meats, but they can not take them in large shipments; therefore the route car is indispensable to the people of the small towns.

It is far more expensive to ship in this way than to ship by the full carload. Every time one of these cars is cut out of a train and put on a siding the packer must pay from \$3 to \$5 in addition to all the other transportation charges, and a car makes many such stops in the course of covering the route of small towns.

The question might be asked: Why not ship by local freight? Because meat would not arrive in good condition. Another reason for not shipping by local freight is that no dependence can be placed

upon the arrival of meat thus shipped at a certain destination at any specific time. In short, this way is too slow and too unreliable for the transportation of fresh meats and meat products.

The car-route salesman visits all the towns along his route and takes orders for shipments to be made on a specific day, stipulating that the car shall arrive at each place at a certain day and hour—to be met by the wagons of the retailers of that town. This method of delivery is carried out regularly once or twice a week as occasion demands, insuring the consumer the delivery of his meats in the very best condition.

We do not sell to consumers, but reach them through the meat dealers in the various towns, and our method of putting the meats in their hands enables them to get a fresh supply at very short notice, which could not be done without the route car.

CARS MUST BE AVAILABLE.

I could see no particular objection to the refrigerator and other specially constructed cars for the handling of live stock and their products being owned and operated by the Government or railroads, provided the packing plants were at all times insured an adequate supply of cars and prompt handling therein of their products. If cars are not available at all times and in sufficient numbers, we shall perforce be compelled to suspend or reduce the purchase and slaughtering of meat animals, and that will result in losses to the producer and shortage and higher prices to the consumer. The thought occurs, can an adequate supply be furnished by any agency other than the packers themselves? I may again refer you to the Interstate Commerce Commission in its decision in the matter of private cars, Docket 4906. They say:

The packers who are the largest users of refrigerator cars, including meat cars, state that they are perfectly willing that carriers should own all cars used by them, "provided they are insured at all times an adequate supply." The proviso qualifies their acceptance of the principle to the extent of practically nullifying it. If all cars were owned and furnished by carriers in times of shortage, the packers as well as other shippers of like traffic, would be entitled to no more than their fair share of all cars available. No class of cars in railroad service is used more effectively than the cars owned by large shippers. * * * The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done by the intervention of private owners.

Armour & Co. at present have only sufficient cars to supply our requirements, and it is only by exercising the greatest care and vigilance that we get the maximum service out of the minimum number of cars. We do not invest in these cars, which are very expensive and not profitable, unless the business requires it; hence we do not build or acquire cars beyond our need. To take these cars and distribute them amongst others would be no advantage to anyone, as Armour & Co. have only such number as we need, and if taken away from us, naturally our business must be decreased to that extent. If it is thought advisable that the Government should furnish refrigerator cars, acquire or operate them for the benefit of anybody in the packing business, the solution would most naturally be to acquire and construct new and additional cars, renting or leasing them to such ship-

pers as desire, including ourselves, and not to take away cars from those needing them and already using them to the best advantage.

SUPERIOR SERVICE NO CRIME.

If we are at fault for having speedier service than the small competitor has, then the grocer who has a motor delivery truck is taking an unfair advantage of his competitor who sticks to the horse-drawn vehicle.

If Chairman Colver reflects the attitude of the Federal Trade Commission in giving the impression that our superior service is an unfair advantage over our competitors, then how will there ever be progress to the advantage of the general public?

The refrigerator cars are the trunk and branches of the tree which represents the fresh-meat business. We could no more engage to deliver fresh meat at all times and all seasons without a full and continuous supply of refrigerator cars, than could the leaves of the tree live separate from the branches.

And the fresh-meat business is to the food purveying business just what the news is to a daily paper. The ability to print the day's happenings is what gives a newspaper circulation and standing, but it is the advertisements which pay the bills. It is possible for the novice to think of a paper prospering without any revenue from advertising, and I understand that some have disastrously tried the experiment. The head of the Federal Trade Commission will tell you if you ask him that the successful newspaper of this day and age is one which is able to fill about 60 per cent of its columns with paid advertisements, and which seeks to make itself more attractive to prospective buyers by adding to its news such outside lines as are usually found in fiction magazines, children's books, cook books, and physical-culture treatises, not to mention the numerous other things that the daily press supplies us with over and above the day's news.

The fresh-meat trade is the "news" of the packing industry as it is constituted to-day. The by-products and some of the side lines are the advertisements which pay the bills, and the rest of the side lines are the "features" which help make our service more attractive to customers.

That is why we are competing with the wholesale grocers in the handling of some food products which seem unrelated to the business of meat packing.

It is not true that our competition is unfair to the grocers, it is not true that our engaging in outside lines is detrimental to the interests of either the producing or the consuming public. Chairman Colver's testimony again furnishes the answer to the charge. His statements reveal the fact that in some lines we can undersell many of the wholesale grocers. I have no doubt that he is in possession of facts showing that we generally pay the producers more than do many of our competitors.

Relative to this matter of engaging in side lines, I call your attention to the statement by the chairman of the Federal Trade Commission wherein he said:

The wholesale grocer's profit comes from his numerous turnovers which the handling of a large number of commodities makes possible. If a wholesale grocer had only one line, a larger margin of profit would more often be necessary to net him the same amount of money that he makes at present.

I desire to adopt this statement as additional justification for our being engaged in various lines just to show the extent to which wholesale grocers have gone in for what some may call unrelated lines. My attention has been called to a bill of goods which Armour & Co. bought recently from a wholesale grocer. It contained more than 40 items, and not a single one of them could be used for food, except by an ostrich.

NO CONTROL OF GROCERIES.

The sponsors of the pending legislation will hardly take that position, but they do say that we are putting the little fellows out of business and that eventually we will dominate the trade. In fact, the Federal Trade Commission has charged us with dominating many of these outside food lines right now. I have taken pains to find just what our business in these particular grocery lines amounts to, and the facts do not accord with the charges. Armour & Co.'s total business in these lines represents only 4.6 per cent of our general business, and a large part of this 4.6 per cent is for items which we have exported to the remote corners of the earth, and no part of such shipments could possibly come within the territory served by the wholesale grocers. It is by reason of our world-wide organization that we are able to do this and thereby correspondingly increase the foreign trade of this country. It is important that your committee be advised that we do not own and have no interest, direct or indirect, either as a corporation or as individuals, in the canneries which pack salmon, tuna, or other fish, and vegetables. The products in these lines which we handle are put up according to our order and specifications by independent firms from whom we purchase them as do jobbers. It will interest producers to know that in order to help the fruit growers of California to get more for their products without it costing the consumer more, we have under consideration a plan to aid them to finance a cooperative fruit-packing plant of their own. We expect to do the distributing for them. We own two grapejuice factories and two other plants which preserve fruits for the soda-fountain trade.

We are not engaged in the retail business and we have no intention of adding the woes of retailing to the burdens of manufacturing and distributing.

If we are to be criticized for cataloguing and selling a very limited number of food lines not directly produced from live stock, what shall be said of the great catalogue houses, wholesale and retailed dry goods and department stores? The catalogues of some of these cover practically every item in use by man or consumed by man or beast.

Complaint is made to you that we can ship more cheaply because our multiplicity of products makes it possible for us to utilize full cars and that we benefit by getting the comparatively smaller tariff which railroads charge for such shipments. The full-car rate is no less to us than it is to all other shippers. Shippers in every department of industry enjoy the same right.

PACKER BRANCH HOUSES.

The fourth general recommendation of the Federal Trade Commission aims at the segregation from the packing industry of cold-storage warehouses and marketing facilities, such as branch houses.

The theory of this proposed legislation, as stated by Mr. Colver, is that at the end of the transportation of fresh meat proper freight houses should be provided for its receipt and care just as proper freight houses are prepared for the receipt and care of other merchandise, and that such freight houses should be open to all on equal terms.

This is in itself a statement of a principle which one perhaps might not disagree with, but the deduction he draws from this is that branch houses established by packers are mere freight houses, and should be so acquired or licensed for the purpose of being generally freight houses for the receipt of fresh beef from all shippers on equal terms.

The premises on which Mr. Colver proceeds are altogether inaccurate. The packers' branch houses are not freight houses for the receipt and storage of fresh meat at all. They are both marketing and manufacturing facilities. Armour & Co. operate 351 branch houses, each one maintained for the express purpose of so distributing their products, the greater percentage of which are highly perishable, in such prompt and expeditious manner as will insure their reaching the trade and the consumer in the best possible condition. Upward of half these branches are equipped with refrigerator machinery, and 40 per. cent of them, located in larger centers, have within themselves and exercise the facilities for turning raw material into finished products, smoking meats, boiling hams, and manufacturing sausage to the extent of millions of pounds weekly. This is necessitated by trade requirements and in order that we may be on an equal footing with local packers operating killing establishments. These are the primary purposes of branch houses. They are equipped with coolers, because that is necessary to preserve the meat pending sale, but their chief functions are manufacturing and selling. The coolers in most of the branch houses are large enough only to accommodate one or perhaps two carloads of fresh meat, so that they could not be considered in any sense freight houses which imply a large storage capacity. They carry only sufficient cooler space for the needs of their marketing business in the locality where they are located, and the turnover is usually every week or every two weeks at the most. Fresh meat must be disposed of while in a fresh condition.

In a great many of the cities where we are represented, aside from the fact of having competition among branch houses, there are commission merchants who have the necessary facilities and who handle products for anyone who desires to ship. Any packer who desires to find an outlet for his product may use a commission firm or himself establish a branch house. There is nothing to restrict him from so doing at any point on the map where he desires to locate.

While we are on this subject of branch houses, let me say that they are very generally regarded as of great benefit to the communities in which they are located. Their value to a city is such that if we were to consider closing one of them the chamber of commerce or other representative bodies of the place affected would take steps at once to prevent us doing so.

COLD STORAGE.

There is a marked distinction between a branch house or distributing station and a cold-storage warehouse. The live-stock end of this business is seasonal; in other words, there are certain seasons of

the year when we have a much larger movement of live animals to market than the distributive facilities can take care of in product, or the market itself can absorb.

It is our purpose, and I believe the purpose of all packers, to slaughter their purchases from day to day and clean up their live stock at the end of the week. It is necessary in the handling of this product to have a certain amount of cold storage at the slaughtering plants; it is necessary to provide cold storage for the product in transit which is done by means of the refrigerator car and, further, it is necessary to provide a limited amount of cold storage at the distributing markets which is done at the branch house.

Cold-storage plants are necessary in the handling of perishable products. We own but an infinitesimal proportion of the cold-storage capacity of the country. Armour & Co. have only sufficient for their own needs. Frequently we have to go out and rent cold-storage space in public cold-storage warehouses.

MARKETING PROBLEM SOLVED.

The whole question of marketing is most important. Too few people realize how essential is the business of distribution. People are quick to see the need for adequate production, but slow to understand that no amount of production would be adequate unless there are adequate facilities for distribution. A mountain of food is worthless 100 miles away from starving people—unless there exists the facilities for getting the food to the people or the people to the food.

The function of Armour & Co. is to collect the stores of food, make it edible, and take it to the consuming center. Unless that work is done and done well, it is fatal to the producer and consumer alike.

But our conception of duty to the producer and consumer is broader than that of mere middle man. It is of benefit to the producer that we develop markets and help create demand for his products. When there is an overproduction of some commodity, the producer faces ruin, unless the demand for that particular commodity can be stimulated to a point which will make it possible for him to dispose of his supply without undue loss. The consumer might benefit for a time if a glutted market sent prices down, but he would suffer the following season by reason of the reduced production resulting from the losses occasioned by the glut.

FIND DISTANT BUYERS.

A county agent from down in Illinois somewhere lost his antagonism toward the packers one day when he was struck by the full force and effect of a little statement that "the big packer connects the stock raiser in Grundy County with the market in China." Just what it meant to the producer to have an agent who would find a market for his product, even if that market was hidden away in the Orient, had never received this county agent's attention before.

I do not know who is going to take care of this most important function of market finding if the big packers are crippled, as some of our critics counsel. It is one of the justifications of our size and the completeness of our organization that we are able to extend this service of market finding to the producer.

We perform a similar important service for the consumer—that of furnishing him with alternatives whenever a commodity becomes scarce or so high in price as to cause concern.

DISTRIBUTING RICE.

The rice situation, which has been referred to by Mr. Colver before a congressional committee, furnishes a concrete example of this very service. You will recall that there was a potato shortage several years ago and prices became prohibitive to many people. There was a demand for something to take the place of potatoes, and those who are informed on food matters recommended rice. Rice, however, had no adequate national distribution. There were no standards which prevailed all over the country and no particular effort had been directed toward creating a demand for it. Many of the rice growers of the South struggled along for years and made little or no profit from their labor.

Armour & Co.'s distributive organization offered a ready means for making rice available everywhere and so helping to relieve the potato shortage. We went into the rice business as a public necessity as well as for business reasons, and if it be true, as has been said by Mr. Colver, that we are to-day the largest handlers of rice, it is due entirely to the fact that we had the proper distributive vehicle available for the emergency and not due to any particular planning or any genius on our part.

The rice growers of Texas, Louisiana, and the Carolinas can readily attest the value to their industry of having our distributive machine at their disposal. They are producing more than formerly and being adequately paid for their labor.

That rice advanced in price coincident to our handling it was due entirely to the general advance in price at that time of all competitive food products and to the introduction of new standards and the tremendously increased demand and not in any way to manipulation of any kind.

It would seem that the pending legislation aims largely to correct alleged abuses set forth in the report of the Federal Trade Commission, Part II, pages 26 and 27. The allegations made there assume that there is a meat combination and so-called specific instances are given to show how it works.

I wish to single out here and explain one of the letters found in our files and cited by the Federal Trade Commission to clinch its contention that there is in existence an agreement as to division of purchases of live-stock receipts. I refer to the much-talked-of "50-50" letter written to me by my nephew, Philip D. Armour. That letter was in the nature of a report on the conditions which Philip found on the occasion of his first visit to Denver. Its import can not be properly understood without more complete knowledge than can be obtained from the words in the letter which said "everything here is on a 50-50 basis." Let me give all the facts, and this is the first chance I have had to do so. And what I say here by way of denial to this particular charge applies equally to every other similar case referred to by the commission. But to answer in detail every such charge would fill volumes.

Both the present-day Armour and Swift plants at Denver were once the property of the National Packing Co., which was the outgrowth in 1903 of a proposed amalgamation and absorption of a number of small plants purchased by the big packers at that time, and which was to have been underwritten by a group of New York bankers who undertook the enterprise. By and by, on account of the financial stringency that came over the country in 1904, these bankers decided to withdraw from the undertaking. Some of the largest of the packers, including our company, in order to save their investment, were compelled to take over these smaller plants, and they were put into a separate corporation—the National Packing Co.

During the life of the National Packing Co. its two plants at Denver were so conducted that each had approximately half of the business. In July, 1912, the laws regarding corporations and trusts were so interpreted as to make it necessary for the various packers to discontinue the joint ownership of the National, and so the concern was voluntarily dissolved and its component parts were distributed among the owners, with the knowledge and approval of the Government. The holdings at Denver were divided thus: Bonds on the stockyards to Morris & Co., common stock of the yards equally between Armour and Swift, and the two plants, one to Armour and the other to Swift.

When we thus became owners of the plant at Denver it was doing approximately half of the business done at that packing center. We determined not to lose any of that business to Swift, our competitor. It was not our intention then, nor is it now, to let any of our competitors get any of our business away from us.

Swift, however, evidently decided to get some of our business, for before long certain improvements and enlargements were made in the Swift plant, and when Philip Armour made his first visit there he found that our plant was not in position to long hold its own. So he wrote to me as follows:

DENVER, October 19, 1915.

MR. J. O. ARMOUR,
Care of Armour & Co., Chicago, Ill.

MY DEAR UNCLE OGDEN: Just a line to tell you that Tom and I arrived here from Fort Worth and had a very pleasant trip.

I can not tell you how surprised I was in going over the plant here. Of all the plants we have, this one certainly needs our first attention. In my opinion, the best part of it is as bad as the worst part of any of our other plants. Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours, both as to the size and condition. Of course, as you know, everything here is done on a 50-50 basis, and with the facilities we have it is almost impossible to keep up this ratio.

The force here seems to be very competent. Mr. Gebhard has been extremely nice to us. The two branch houses here are in very good shape, but, of course, the Armour & Co. branch is in a very bad location. However, they are doing well. They have had very good results for this year up to the present time. This is not quite right. (See below.) The country out here looks exceptionally good, and from what I can find out, things are starting to boom. There isn't much news outside of this.

I am leaving here to-morrow for Kansas City, and will be home at the end of the week. We have had a fine trip in every way, but I feel as if I had left Chicago about three months ago.

Hope you are well, and that everything is going all right. Tom joins me in kindest regards.

Very sincerely, yours,

P. D. A.

Col. P. & P. Co. branch way behind but changes go into effect November 1 which will help it out a great deal.

As a result of his report, I wrote to A. W. Armour, who is a vice president of our company, and whose duty it is to pass on such matter as plant improvements:

OCTOBER 22, 1915.

MY DEAR WATSON: I think Philip is right about this. That plant out there needs our first attention. The country is a growing one out there, and we want to have facilities to do business.

J. O. ARMOUR.

His reply follows:

OCTOBER 23, 1915.

MR. J. OGDEN ARMOUR: Referring to the attached, I think we have realized the bad condition of our Colorado Packing Co. plant ever since it was purchased. Mr. Connors called to my attention that he did not feel the physical condition of this plant at the time we took it from the National was as good as the one Swifts got. We took it on account of Mr. Gebhard. The plans for this building are out, and we ought to be able to close the contract the first of next week or in 10 days.

A. W. ARMOUR.

Knowing these circumstances, I can not believe anyone is so blind as to regard Phil Armour's "50-50" letter as indicating any agreement. The very fact that the Swifts were improving and enlarging their plant and trying to increase their output is positive demonstration in itself of an attempt on their part to get some of our business away from us, and this we resisted, as we think every enterprising and successful merchant would do. We then proposed and still propose to maintain and increase, if possible, our hard-fought-for and established trade.

ANSWER TO COLLUSION CHARGES.

The Federal Trade Commission report says that the five companies in question act collusively through their buyers in the purchase of live stock, and that they control the market through such practices as "split shipments," "part purchases," "wiring on," "making," and "late buying."

"Split shipments" are nothing more nor less than divisions of herds which may be owned by one man or shipped by one man acting for a number of them and sent to two or more different markets. Many such "split shipments" are divided between Omaha and St. Joseph, Mo., two markets which are less than 200 miles apart, and when a portion of such a shipment arrives in Omaha, and our buyers there have knowledge of it, it is but natural and proper that they wish to know how their bid compares with the price paid for the other portion of the shipment in St. Joseph. It is untrue that there is any effort to prevent the shipper from getting a higher price at one market than he gets at the other. It is true, however, that if the buyer at Omaha should get the cattle for \$13 a hundredweight while the man at St. Joseph paid \$13.10, their boss would want to know how his buyers came to differ so much as to the value of the animals. Likewise, the comparing of notes here results in a closer standardization of grades. If the man at Omaha calls them "good" and the man at St. Joseph regards them as "prime" there is something wrong with the judgment of one of them, and only the dressing percentages will decide the true grading. It is to the benefit of the growers that a good steer in one market will be rated as a good steer in another, and "split shipments" furnish one of the best ways to keep our buyers on their toes and their judgment keen.

Another element enters into "split shipments." It is a fact that every market center is in competition with others and each market is desirous of attracting to itself as big a supply as is possible. In the case which I have just cited the difference in the price obtained at the two markets would undoubtedly result in the owner sending his future shipments to St. Joseph, and Omaha would be the loser thereby. The selfish interest of each market, therefore, is to keep informed as to prices paid in other markets, so that the different markets will not lose their patrons.

As to "part purchases." They are not indicative of that which the Federal Trade Commission would have one believe. Ofttimes a shipment of cattle is divided among several pens, and a buyer will frequently purchase one or two pens without any consideration whatever as to the existence of more pens of the same lot. If the remaining pens, then, are bought by some other packer buyer, it is no indication of collusion, even though the same price may be paid. This charge fails to take into consideration the fact that the commission man is a factor in fixing the price and that if he sells part of his shipment to Armour at a figure which he regards as satisfactory he will not take less from any other packer unless he has to.

The practice of "wiring on" is a "bugaboo." It is true that very often one of our markets will wire another something to this effect:

"John Jones shipping a carload of cattle to your market. We bid 13. Would like know what they bring."

That does not mean that our buyer will go out and punish John Jones by bidding lower than the \$13 per hundredweight first offered him. I know of instances where our second buyer has bid a price which justified John Jones in shipping on, and it is not infrequent for our head buyer to chide the first one for his poor judgment regarding the worth of the animals. "Wiring on" is designed to enable buyers to confirm their judgment or to help them improve it. If our buyer in Kansas City exercises such poor judgment that cattle are constantly being shipped to Chicago and there bringing higher prices, it is evident that the Kansas City buyer has faulty judgment and that he ought to be given other work or put on the pension roll. That is the reason why we "wire on," and it is not detrimental in any way to the best interests of the producer.

As to "making" and "late buying" let me say this: Armour & Co. have a live-stock policy which is pulsed and governed from Chicago and which applies to all our plants, but we have no connection with competitors in this respect. Some days we do not go out very early because the run of stock may be late getting in. For example, if the run is posted for 20,000, and it is apparent that there are only 3,000 unloaded and ready to be offered for sale and we do not particularly need cattle at an early hour that day, it is natural and a matter of common sense that we delay going out into the pens until such time as a better selection awaits us. We have no monopoly on good judgment and it is not surprising that under such circumstances the buyers for other firms would also remain off the market till the run gets in.

"PERCENTAGE" PURCHASES.

The anchor to which all these charges and those of a similar nature are fastened is a chart showing that the five big packers purchase at

the leading markets each year percentages of the receipts which are almost identical year in and year out. That I do not deny the approximate result of this chart of percentages must not be taken to mean that I admit the truth of the conclusions which the Federal Trade Commission has mistakenly drawn therefrom. Those percentages are what experience over a period of many years has demonstrated as the portion of the receipts we must have if we are to maintain our standing and position in the industry and not fall to the rear.

I may say to you that no one eyes the figure which represents Armour's requirements more closely than do the men who are charged with the success or failure of our business. If the figure falls it would indicate that we were "slipping," to use a slang expression, and you can rest assured that some one would be called on the carpet to explain why. Expressed in percentages, it takes many thousand cattle to affect the figures in the Federal Trade Commission's chart, and there can be a wide divergence in the buys without it becoming apparent: for example, we purchased 87,000 fewer cattle, valued at \$11,000,000, during the last year than the commission's percentage table shows we were entitled to; in other words, we lost some ground to our competitors during the period. It is not our wish to lose ground, and some rather convincing explanations from the beef department had to be forthcoming. We found that our plant expansions, great as they had been, were insufficient to enable us to keep up with the increased volume, and so some of our competitors got some of the business that we think we should have retained. I rather suspect that some one or other of our competitors is looking upon his figures in this particular phase of the business with considerable satisfaction, and I know that we would be very much inclined to regard with favor a request for an increase in salary from some employee who could show that he had increased our business.

WATCHING COMPETITORS.

In order to keep abreast of our needs and satisfy our business ambition, it is incumbent upon us to keep in closest possible touch with all market conditions and with the operations of all our competitors. Our own men get the live-stock purchases at the various stockyards, and we know at the close of the day whether we have bought as many or more cattle than each of our principal competitors. If our program for the day was to buy light, we expect our buyers to come in light; but, just the same, we want to know what our competitors bought, to see whether they took the same view of market conditions as we did; in other words, to confirm our judgment. If we see that they are running heavy in their purchases while we are running light, we know there is poor judgment somewhere, either with them or with us, and that one of us is not pulsing the market correctly. If our place and rank in the trade is at a certain point, while that of one of our competitors is at a certain point below us, we watch him to see that he does not close up the gap and gain on us, and no doubt he watches us to see that we do not get far away from him. Everyone is jealous of his volume, and that accounts for the fact that at the end of the year the proportion of live stock is found to have been divided so uniformly. In

every competitive industry the same watchfulness exists. In the race for success this is no more and no less than vigilant and determined business rivalry.

A fact which the Federal Trade Commission glances over all too hurriedly is that our vigorous determination to do what we consider our hard-fought-for and long-established share of the business is a benefit to the producer at such times as there is an oversupply on the market. I quote from Part II of the report of the Federal Trade Commission on the meat-packing industry (p. 46):

In order to enjoy the advantage of a quota on a short market, each packer is expected by the other to support an oversupplied market—that is, each is required to take his proportionate share, whether he needs it or not, and so share in the burden.

The commission does not give the true reason which causes us to support the market. I have shown above what they are.

SELLING COMPETITION.

The same summary of the Federal Trade Commission charges practices in the selling end of the business which are comparable to those alleged in the buying end.

The whole case of the Federal Trade Commission seems based on certain isolated letters found in our files and which unexplained pretendedly fit in with their theory. I call your attention to the fact that we employ upward of 60,000 persons, and it would be surprising, indeed, if there were not in existence letters written by various of our energetic and ambitious men in more or less important positions which might seem to lend color to any prejudged theory which the "hungry for discovery" Trade Commission's examiners were trying to prove. The Federal Trade Commission has seized upon correspondence between a man in our head office and the superintendent of one of our branches, and by that correspondence it has built up an indictment charging collusion. I read at random from page 36 in the Summary of the Report of the Federal Trade Commission on the Meat Packing Industry:

It is certain that by no means all the agreements in effect between the big packers came to the attention of the commission. Thus, for example, we have evidence of an agreement on lard compound, which was made at the time the commission's investigation was being vigorously pressed and came to light only by chance:

Letter, Armour & Co. to H. G. Sharpnack (Armour's branch house superintendent at Pittsburgh), dated January 24, 1918:

"Its always been our understanding that if our organization had the same price as the other fellow, that's all they need. This is certainly a fact on substitute since January 14, and we will be very much surprised if your territory does not triple its business each month. We do not recall having such an opportunity in the history of the firm, and if this practice is maintained, its a pretty safe bet we will get our share."

This was followed on January 28, 1918, by a circular from H. G. Sharpnack to all managers giving the following instructions:

"Please give this compound all attention possible. Everybody's price must be the same as yours. If you find any deviation make doubly sure that you are right by seeing the bill, noting the date of same, quantity sold, and the price, and let me have it."

This so pleased Armour & Co. that on January 30, 1918, L. L. Whelen, of Armour's lard department, wrote Sharpnack:

"Very glad to note your cooperation on White Cloud as per your circular to houses dated the 28th. In this connection, however, it occurs to us that we

should not make any noise about competitors' prices being identical, etc. Under present conditions, this is not advisable, as you are undoubtedly aware. Also you might destroy this letter on the subject."

Evidence of other agreements might be quoted at length, and they will appear in the report. The quotations already made would seem to answer affirmatively the President's question:

"Are there manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest?"

"We will not elaborate on the fact that these agreements, combinations, and pools are continuing conspiracies. So far as the meat pools are concerned, this proved not only by the present continuance of the agreed-upon divisions of live-stock purchases, but by letters of recent date.

In the case of the agreements and conspiracies regarding cheese and lard substitute, the evidence presented relates entirely to matters which have occurred within the last two years and which there is no reason to believe have been changed by later events.

The fact of the matter is that the price referred to in this correspondence was one which was reached at the express request of and in cooperation with the Food Administration. This is a fact which could very easily have been developed by the Federal Trade Commission if it had made any effort to do so or had given us an opportunity to explain the correspondence in question. And this acutely illustrates what I mean when I say the work of the commission has been ex parte and no chance given us to be heard or even to explain. Because of such untrue charges widely and repeatedly given to the public, we have suffered grave and serious injustice and irreparable injury.

These prices resulted from the efforts of the cottonseed division of the Food Administration to stabilize the cottonseed industry. It developed after considerable effort and investigation that the maximum result in the crushing facilities of the country could only be obtained by the stabilization of not only the raw material but also of all the manufactured by-products of cotton seed.

Cottonseed oil is used in the manufacture of lard substitutes, which is one of the by-products of cotton seed and the most valuable of its ingredients.

The manufacturers of lard substitutes were called to Washington about the middle of October, 1917, where a conference was held with the Food Administration. The representatives of the Food Administration requested the cooperation of these manufacturers to facilitate the stabilization of the cottonseed industry. At an adjourned meeting it was pointed out that this could only be accomplished as a war necessity and under the supervision of the Food Administration. The matter was taken under advisement, and the manufacturers were again called to Washington about the middle of November. A plan was outlined for stabilizing the refined oil and lard substitute branches of the industry, which contemplated a fixed price for the lard substitutes at a fixed differential over and above the cost of the raw material. This was finally approved by the Food Administration, and a meeting was held in Chicago, under date of December 12, 1917, between the representatives of the manufacturers of lard substitutes and a representative of the Food Administration. The minutes of that meeting show that each of the parties present, of themselves and without connection with the others, promised the Food Administration in the presence of the representative of the Food Administra-

tion that they would cooperate to the extent of stabilizing prices. The matter was finally put in permanent form by a circular issued by the United States Food Administration under date of December 28, 1917, and addressed to "Refiners and Lard Substitutes Manufacturers." This circular reads thus:

In order to stabilize the cottonseed industry, to translate the price obtained by the producer directly into the price paid by the consumer for the finished product, to assure a liberal return to those performing necessary manufacturing services in producing the finished product, the Food Administration has established the following spreads or differentials:

For the buying and selling of cotton seed by seed merchants, not exceeding \$2 per ton, plus customary loading charges.

For the crushing of cotton seed, including bags, all manufacturing costs, and profits, not exceeding \$13 per ton.

For the refining of crude cottonseed oil, not exceeding 3 per cent on the gross sales of loose refined oil.

For the manufacturing of lard compound from crude cottonseed oil, not exceeding 5 cents per pound between the selling price, delivered jobbing centers, tierce basis, and the price of basis prime crude oil f. o. b. mills, with 1 cent per pound additional for packaged goods.

By voluntary agreement of the great majority of manufacturers of lard compound in the United States it has been agreed that lard compound will be sold by them at 22½ cents a pound delivered average jobbing points, tierce basis. From this you will see that the Food Administration regards 17½ cents per pound as a fair price to be paid to the crusher for crude cottonseed oil at all points. All oil should be purchased from the crude mills at the same price without regard to location.

All elements in the business to-day are expected to cooperate to bring about the best results and to prevent any undue congestion at any one point or in any one factory. It must be the desire of all to keep the cotton seed and its products moving in a regular uninterrupted and continuous channel from producer to consumer. To this end your tank-car equipment should be utilized upon a cooperative plan, if necessary, to relieve any congestion at any crushing point. The liberal spread or differential of 5 cents per pound is intended to induce you to carry the full amount of oil permitted by your facilities.

We desire that you write us that we will have your cooperation in the matter, and that you fully understand the same. Hereafter will you please address your communications to the Food Administration for the attention of Mr. Pyle?

This circular was reissued in a more condensed form, under date of January 5, 1918.

It should be noted that all of these negotiations above referred to and the two circulars just mentioned, issued by the Food Administration, were prior in date to the correspondence quoted by the Federal Trade Commission in its effort to show that the packers were in a secret agreement as to the price at which they would sell lard substitutes.

The facts which we have detailed above show conclusively that the Federal Trade Commission was wrong in the conclusions which it drew from the correspondence in question, which could have been very readily explained if we had been granted an opportunity to do so. This situation shows very clearly, as I have said, the unfairness and the injustice which may result from an ex parte proceeding such as this investigation of the Federal Trade Commission has been from beginning to end.

It is said that the five big packers exchange information regarding margins realized in the sale of meat. We do not knowingly give information to our competitors about our margins, but we have no

doubt that they are as interested in ours as we are in theirs and that they make as much of an effort to find out what we are doing as we do about what they are doing. We do not know how we could compete with other firms unless we keep ourselves informed as to their prices, and we do not regard it as a violation of business ethics to attempt to find out from the trade the facts about which we are concerned. In every line of commercial activity these practices are in daily use and are regarded, as they in fact are, honorable and legitimate in every way.

As to inspection of one another's stocks of fresh meats, that is not a fair presentation of the matter. Hardly a day passes but what some branch house manager complains that he is short on beef carcasses whereas his competitor has plenty. Sometimes we are loathe to believe that and we make efforts to find out whether it is a fact or whether our branch house man is mistaken. Here again it is simply a case of learning what the competition is which we have to meet. And this is always done in every avenue of business everywhere.

NO JOINT ACTION.

The charge that there is joint action in underselling independent competitors is not true. A categorical denial should dispose of the matter, but in charity to our accusers, I will say that there might be conditions from which such an erroneous conclusion might be drawn. To illustrate: Our branch house manager at Davenport might some week find he had overestimated his market and be compelled to dispose of his beef at a price under that of some independent competitor. Such happenings are not of infrequent occurrence in our business and in all businesses. The following week the branch of some other of the big packers might find itself in a similar position and sell at a loss. You know that fresh beef can not be held until the market is ready for it. It must be sold at once even if it entails a loss. Doubtless instances could be found where, in a limited period, one after another of the branch houses of the leading packers found it necessary to sell beef at a loss, and I can understand how the independent competitor might jump at the conclusion that it was a conspiracy to put him out of business.

It is a fact entirely ignored by the commission that it is the keen competition which exists between the big packers which causes the practices about which the commission complains and from which it concludes that there is "combination."

ETHICS ARE OBSERVED.

I wish to impress upon this committee this fact: The business of Armour & Co. is conducted in accordance with the highest and best business ethics of the day. A generation ago, when pools and combinations of various kinds in railroads and in every kind of business were common and of everyday occurrence, were ethical and supposedly legal, we were then sometimes a party to them, but when new legislation or new interpretations of existing legislation made such pools and combinations improper, we absolutely ceased to be parties

to any of them, and I say to you positively that we have not for many years been and are not now in any pool, combination, or arrangement of any kind, either directly or indirectly, or openly or secretly, or under cover. All such charges are utterly unfair and untrue.

We give the consumer and the producer the very best kind of service, and wherever we find it possible to improve on existing methods of manufacturing and merchandising we seek to do so, because, after all is said and done, we could not be the large concern we are were it not for the fact that we are better able to serve the public than are those competitors who spring up from time to time and fail and then explain their failure with the statement that they were "frozen out" by the so-called big fellows.

All through the reports of the Federal Trade Commission runs the suspicion, express or implied, that we are serving the public well to-day in order to put competitors out of business, thereby making it possible for us to control and boost prices to-morrow. I call your attention to the fact that this claim is of a perpetual nature. It was made 50 years ago, and 25 years ago, and 1 year ago, and always, the so-called control was just around the corner.

The kind of control that the Federal Trade Commission fears is not possible. If our competition to-day forced all others out of business, and if we used the power thus obtained to increase profit margins unfairly, there would be a new crop of competitors to-morrow. I do not expect to see the day when American business men will stand by and keep their hands off any field of enterprise which is paying high profits.

The desire to make profits is the basis of business, and any time the profits become large enough and sure enough to justify new competition there will spring into the breach new enterprises able and willing to perform the manufacturing and distributing function for less money.

I trust I have made plain to you the functions of Armour & Co. and demonstrated that our ability to perform them would be greatly impaired, if not destroyed, were the recommendations of the Federal Trade Commission enacted into law. The efficient administration of stockyards and the adjuncts thereto is important to the business of feeding the Nation, and the refrigerator cars and branch houses are absolutely essential requisites.

LOW PROFITS IGNORED.

I can not refrain from raising the question here as to the aims and intents of this pending legislation and of the investigation out of which it came. What was the motive alleged by the Federal Trade Commission to justify its charges of combination and monopoly? Would any motive other than the expectation of large profits cause successful American business men to run athwart the law as is charged here? And what are the facts about the profits of the meat-packing industry? Are they such as to supply the motive for these alleged abuses?

Gentlemen, the Federal Trade Commission has failed completely to justify its charges of unduly large profits. It has talked vaguely of millions, because to most men millions seem huge, but I direct your attention to this fact: It has not been disputed that the meat packers are conducting a gigantic and essential business on a profit margin smaller than obtains in other industries; that the earnings on our turnover average not to exceed 8 per cent annually and that the packers' profit on a pound of meat averages only a fraction of a penny. Compare our profits with those of other large enterprises and ours will be found much lower.

The pending bill asks you and the world to believe that for the very limited margins such as those we have made and are making the law and the ethics of society and business have been ignored by Armour & Co. The charge is not true.

HIGH PRICES NOT DUE TO PACKER.

Gentlemen, in searching out the reason for high prices—and that is the underlying reason, I believe, which caused the President to direct that there be an investigation—your finger can not be laid on the American meat packer. Our profit on a steer amounts to approximately \$1 a head. Mind you that is the profit on the whole steer, not merely the profit on the meat. I ask you to compare our profit with that of the cattleman, for instance, who told me recently that he made \$50 a head on the animals he sold during the past year. I am not charging him with making an excessive profit, but I want you to consider the relative importance of the packer's \$1 profit with the \$50 earned by the cattleman. During the last 18 years, including the war period, the earnings of Armour & Co. on the actual investment and appraised value of the business averaged 8.9 per cent. On everything, gentlemen. Including all our by-products and all our associated lines, and also all our business in what the Federal Trade Commission says in unrelated to the packing industry, our profits represented less than 9 cents annually on each dollar invested in our business.

Can anyone fairly maintain that our share of the dollar paid by the consumer for the goods we put in his reach is excessive?

BUSINESS IS INTRICATE.

The man on the street may regard our business as merely the buying, slaughtering, and selling of steers, but as a matter of fact the business is the most intricate and complex of any I know. It entails more chance than its owners can view with pleasure.

When we sell a beef carcass we have to determine as near as is possible what the hide will be worth half a year later—else we shall not correctly fix the cost of the dressed beef. If we guess wrong on the hide, we may find our profit larger than we expected or we may find that our expected profit is really a loss. The daily market, you know, is not based on what the wares were worth six months ago, but what they could be secured for to-day.

FOOD ADMINISTRATION INFORMED.

With relation to profits, I call your attention to the fact that during the past year a governmental agency, the Food Administration, working under the direction of the President of the United States, had control over and complete knowledge of our earnings, and I am confident that members of the Food Administration would be able to shed much light on the question before you. They prescribed the amount which the industry was permitted to earn, and they had complete knowledge of the prices at which materials were transferred from department to department, and, furthermore, they sat in judgment of our fixation of overhead expense; so that it is not true, as has been stated, that we proportioned our overhead so as to conceal earnings. There has been and could be no concealment of earnings.

BUSINESS IS AN UNCERTAINTY.

Our business is the same sort of uncertainty as is that of the feeder of meat animals. If his judgment be poor, he is apt to lose money. The feeder of steers is a man who does not raise the animals himself and who does not always raise the corn with which he fattens them for market. He speculates on his ability to buy feeders and feed at prices sufficiently low to enable him to make a profit some weeks or months hence when he sends his fat cattle to market.

Every business is a gamble to this extent: Success or failure hinges on the judgment of the man or men who conduct it, and the only guaranty of success is the business ability and stability of the management.

I call your attention to this phase of the matter before you. If a monkey wrench is thrown into the gears of this business its effects will not be confined to the meat-packing industry. If the ability of the packing industry to properly function is impaired, it will affect the live-stock industry, and it in turn will affect corn prices. Wheat will then be drawn in, and so will bread, and so will labor, and so will everything that has for its basis the wealth produced by agriculture.

The theories on which pending legislation is based are not constructive; they are not progressive. They are reactionary. They would disrupt the great manufacturing and marketing machines which half a century of enterprise has evolved, and the results would be detrimental not alone to the leading industry of this Nation but even more so to that portion of the public which produces and which must have its product distributed, and the entire public which consumes food and which must have food brought within its reach in shape to eat.

It is, perhaps, not becoming of me, a merchant unfamiliar with legal problems, to even allude to the fact that a part of the proposed legislation may violate the Constitution. I may, however, be pardoned for saying that I have been advised by advisory counsel, who is now here for this company, that a part of the proposed legislation is probably unconstitutional.

I realize the utter impracticability of putting into one statement answers to all the points which have been raised, but I assure you there are complete answers to every one of the charges made by the commission, and I invite you to ask me for any additional information which you feel will aid you in arriving at a just conclusion.

SUPPLEMENTAL STATEMENT SUBMITTED BY J. OGDEN ARMOUR BEFORE THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE HOUSE OF REPRESENTATIVES JANUARY 21, 1919.

Net earnings of 14 leading industrial companies, per cent on capital stock, per cent on total investment.

[The net earnings for 1918 (excepting Armour & Co.) are not available.]

ARMOUR & CO.

Year.	Net earnings.	Per cent on capital stock.	Per cent on total investment.
1912.....	\$5,701,646	28.50	5.08
1913.....	6,028,196	30.14	6.01
1914.....	7,509,907	37.54	7.20
1915.....	11,000,000	55.00	10.02
1916.....	20,100,000	20.10	16.92
1917.....	21,263,562	21.29	15.56
1918.....	15,247,837	14.07	9.00

AMERICAN BEET SUGAR CO.

1912.....	\$2,325,573	12.50	10.41
1913.....	831,056	3.87	3.85
1914.....	644,105	2.29	2.82
1915.....	1,601,643	8.68	6.74
1916.....	3,174,830	19.17	13.6
1917.....	6,126,677	38.84	24.02

AMERICAN WOOLEN CO.

1912.....	\$3,218,233	2.09	4.4
1913.....	Deficit.		
1914.....	2,788,602		4.06
1915.....	4,080,676	6.40	5.8
1916.....	5,803,818	15.3	8.2
1917.....	6,844,156	20.22	9.19

ANACONDA COPPER MINING CO.

1912.....	\$15,856,335	14.00	14.2
1913.....	11,323,498	10.4	9.6
1914.....	3,789,588	7.5	7.6
1915.....	16,685,906	14.3	13.4
1916.....	50,828,372	43.6	36.62
1917.....	34,333,751	29.4	20.81

BETHLEHEM STEEL CO.

1912.....	\$2,043,641	13.8	5.39
1913.....	5,122,703	20.45	12.97
1914.....	5,500,020	32.5	12.61
1915.....	17,762,813	112.49	29.1
1916.....	43,543,968	286.3	43.97
1917.....	27,320,737	43.2	16.8

CENTRAL LEATHER CO.

Year.	Net earnings.	Per cent on capital stock.	Per cent on total investment.
1912	\$5,736,884	8.57	7.84
1913	4,386,345	5.17	5.52
1914	4,876,923	6.4	6.08
1915	6,626,867	10.7	7.98
1916	15,448,201	33.1	16.58
1917	14,404,855	30.4	14.13

CORN PRODUCTS CO.

1912	\$1,714,835	0.9	2.22
1913	2,284,855	1.01	2.98
1914	2,305,174	1.35	3.10
1915	3,168,368	3.35	4.28
1916	6,083,746	9.69	7.62
1917	11,348,400	18.60	12.21

DISTILLERS SECURITIES CORPORATION.

1912	\$527,182	1.61	1.37
1913	359,567	1.04	.93
1914	701,864	2.03	1.82
1915	1,430,872	4.20	3.68
1916	3,327,094	10.11	8.38
1917	4,790,432	14.57	11.46

PITTSBURGH COAL CO.

1912	\$2,025,493	2.09	2.75
1913	2,726,209	4.29	3.67
1914	1,371,050	.05	1.81
1915	1,653,524	.93	2.18
1916	3,143,926	5.80	4.14
1917	14,076,952	31.47	18.11

QUAKER OATS CO.

1912	\$2,215,366	22.33	12.6
1913	2,061,426	20.15	10.9
1914	2,099,650	20.79	10.7
1915	3,430,712	34.54	16.9
1916	3,646,046	34.13	16.4
1917	4,906,927	52.67	20.2

STANDARD OIL CO. OF INDIANA.

1912	\$14,687,696	48.96	36.82
1913	6,560,924	21.96	14.55
1914	15,904,376	53.33	36.04
1915	30,043,614	100.14	52.9
1917	26,408,931	89.36	32.20

THE TEXAS CO.

1912	\$2,203,462	9.61	7.70
1913	6,663,123	24.64	22.61
1914	6,146,974	20.62	17.93
1915	6,393,327	21.31	15.54
1916	13,404,462	37.56	31.21
1917	19,724,526	35.54	31.77

U. S. STEEL CORPORATION.

Year.	Net earnings.	Per cent on capital stock.	Per cent on total investment.
1912.....	\$54,240,049	7.71	8.39
1913.....	81,216,998	11.02	11.9
1914.....	23,496,768	Deficit.	2.8
1915.....	75,833,832	9.95	7.28
1916.....	271,631,731	48.46	21.7
1917.....	224,219,565	39.15	17.2

WESTERN GROCER CO.

1913.....	\$182,384	8.51	6.91
1914.....	393,306	19.58	14.85
1915.....	296,967	14.8	10.26
1916.....	536,157	26.64	17.78
1917.....	657,080	28.45	19.62

(The committee thereupon took recess until 2.15 o'clock p. m.)

AFTER RECESS.

STATEMENT OF J. OGDEN ARMOUR—Resumed.

The CHAIRMAN. The committee will come to order. Mr. Armour, I only want to ask you a few questions of a general character, and then will turn you over to the tender mercies of the committee severally.

You referred to the fact that there had been an issue of stock by your company, increasing it from \$20,000,000 to \$100,000,000, an addition of \$80,000,000 covering, as I understood it, property values of your company or earnings which had not been distributed in the form of dividends. So, in effect, you were making the property value in the company, with the additional \$80,000,000, conform to the stock issue, or the stock issue equal to the property value. You referred to it as property value of the company, did you not?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. That is the reason it was done?

Mr. ARMOUR. When that change was made from \$20,000,000 to \$80,000,000, or an addition of \$80,000,000, and making the total \$100,000,000, is what I mean, it did not change the actual situation at all. The addition of \$80,000,000 surplus to the capital did not change the situation from what it was at the beginning. It merely reduced the surplus and increased the capital. There was no more money and no less money than before.

The CHAIRMAN. And while there was no cash paid in, no money paid in—no new money paid in, I mean, as representing the \$80,000,000—the \$80,000,000 added were not water in the sense that the property owned by your company was not equal to the previously outstanding stock and the additional stock?

Mr. ARMOUR. No, sir. As an illustration, if I may use it, if the value of Armour & Co.'s stock happened to be \$150 a share before the increase of the capital stock to \$100,000,000, which value is ascertained by the capital and surplus, the value afterwards did not change a bit. It was still \$150 a share. I merely take that figure as an illustration.

The CHAIRMAN. I understand.

Mr. ARMOUR. But it was not water in any respect at all. It simply took some of the undivided profits, which are called surplus, and they were added to the surplus and thereby reduced the undivided profits to that amount and added them to the surplus. That was made up of accumulated earnings for many, many, many years.

The CHAIRMAN. Accumulated and undistributed earnings?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. The \$20,000,000 of stock that existed prior to that time was covered by property values, or was that \$20,000,000 from earnings?

Mr. ARMOUR. Let me explain that: Originally, there were two plants, consisting of Armour Packing Co., at Kansas City, and Armour & Co., Chicago. They were two separate concerns many years ago, although they had more or less the same ownership. But at the death of Kirkland Armour, who ran the Kansas City plant, it was thought advisable to consolidate both concerns, and that was done; at least, after my brother died, which was 19 years ago. Previous to then Armour & Co. was a copartnership. At that time they made the capital \$20,000,000, and they had a surplus, I think, at that time of something like \$33,000,000.

The CHAIRMAN. At the time that stock was made \$20,000,000, and when you had \$33,000,000 of surplus besides, and from that time on up to the time this \$80,000,000 of capital was added in the way that you have explained, had dividends been paid right along on the outstanding \$20,000,000 of stock?

Mr. ARMOUR. There were small dividends paid, but very small.

The CHAIRMAN. Small dividends?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. The most of the earnings having remained in the business and were invested in the business?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. I know that it is a common thing to issue stock like that where you have a close corporation; and this stock is not on the stock market, as I understand?

Mr. ARMOUR. No, sir.

The CHAIRMAN. I can not see why owners of that kind of stock want to issue more stock on the property values when they would be entitled under the law to earn reasonable returns as a public utility upon the actual value of the property devoted to the public use. But I am not asking you to answer that.

Mr. ARMOUR. I will be very glad to answer that.

The CHAIRMAN. It is often done, as I understand it, and therefore is nothing unusual.

Mr. ARMOUR. We were unfortunate enough always to have our earnings computed by the newspapers and others on our capital and not on the total amount of money invested.

The CHAIRMAN. That is, on your outstanding stock?

Mr. ARMOUR. On our outstanding stock. Our earnings would not make any difference if they had been computed on the total amount of money we had invested. And besides, another reason, we are large borrowers of money, and it is always desirable, from a business standpoint, to have as large a capitalization as you can rather than leave the

money in surplus, because your statement is always considered better when making that showing, for the reason that your capital you can never draw out; you can not do anything with money that is put in as capital.

The CHAIRMAN. You would have to reduce your capital in order to do that.

Mr. ARMOUR. You would have to reduce your certificates.

The CHAIRMAN. I mean, you would have to reduce your stock in order to do that. But that makes no difference. I believe you do not controvert the fact that the average mileage made by the packer-owned cars was 84 miles per day, I believe it was so stated, as shown in Mr. Colver's testimony. You quoted from that, I believe?

Mr. ARMOUR. Yes; I believe my statement covered that.

The CHAIRMAN. I believe you admit that 84 miles a day on an average was substantially correct?

Mr. ARMOUR. I think it is.

The CHAIRMAN. While for all other cars the average is 46 miles a day—all other cars in use. And I understood you to draw the conclusion that the speed with which these cars were operated was an indication or an evidence that it was in the public interest for the packers to own the cars, as they delivered products more rapidly and more efficiently?

Mr. ARMOUR. I think so; yes.

The CHAIRMAN. Now, Mr. Armour, is that due to that fact—or let me ask you first: Of course these cars, both packer-owned and railroad-owned, are used over the same railroads and run over the same tracks?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Then, what is that condition due to? Does the railroad company give packer-owned cars a more favorable service; that is, do the railroads discriminate in favor of those cars over cars owned by themselves and that are used by other shippers than the packers?

Mr. ARMOUR. No; they do not. I think it is due in great measure in our getting after the railroads and having the cars returned more promptly. We are after them all the while. I think it is due in great measure to the efficiency with which we follow up the cars; that Armour & Co. have got after the railroads to have them returned promptly. In many cases we ship trainloads of meat down East, and while I am not sure whether that goes faster than other cars or not, yet we follow the matter up closely so as to get the best service possible. That is better than in the case of an individual car that will be put on a regular train, no doubt, or it might not go as fast as a beef train. That might be an isolated case.

The CHAIRMAN. I thought it possible that the railroad companies themselves would rather that the packers would own cars than that they should own them, and perhaps they gave this extra service in the way of rapid movement of packer-owned cars to encourage other packers to own their own cars.

Mr. ARMOUR. No; I do not think that is the reason. I wouldn't think that was the reason.

The CHAIRMAN. You do not think that has anything to do with it?

Mr. ARMOUR. No, sir.

The CHAIRMAN. But you do think that the extra time made was on account of the extraordinary effort made by the packers who own cars to get expeditious service?

Mr. ARMOUR. Yes, sir. We have only so many cars and we haven't any more cars than we need; in fact, quite frequently we are short of cars, and therefore it is to our interest, as well as to the interest of every other packer, not only the big packer but any packer, to get as quick service out of his cars as he can. If he doesn't do that, he will not have enough cars, probably, or at times would be short of cars and would not have enough to take care of his business.

The CHAIRMAN. One or two of my suggestions are based upon a statement of yours that on refrigerator cars for the year 1918, Armour & Co. alone lost \$395,953.72. I am right on my figures, am I not?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. That Armour & Co. lost that much by reason of furnishing their own cars. Now, if the railroads had operated them on their own account, they would have lost certainly that much, wouldn't they?

Mr. ARMOUR. Probably more.

The CHAIRMAN. Therefore the railroads are actually saving a loss to themselves in this particular instance through the ownership of private cars by your company alone of, in round figures, \$400,000 a year measured by your experience in 1918.

Mr. ARMOUR. I would think so.

The CHAIRMAN. Therefore it is to the interest of the railroad to encourage private ownership of these refrigerator cars.

Mr. ARMOUR. Well, I will say that I have never been able to get them to build our cars. When we originally built these cars it was a great hardship to us to build them because—

The CHAIRMAN (interposing). If the bill is passed requiring the railroads to build and operate these cars it will save the packing companies who now own private cars from further losses, will it not?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. It will enable them to that extent to render cheaper and more economical service.

Mr. ARMOUR. That would be true if we could get the same service that we are getting now. That is, if we could get the same service and be sure of not being short of cars, as we are now at times, but you will understand—

The CHAIRMAN (interposing). A part of the service that is necessary to be rendered in connection with refrigerator cars is icing, isn't it?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. That is essential?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You could not operate it without it?

Mr. ARMOUR. No, sir.

The CHAIRMAN. And that, at least in part, is left to the railroads?

Mr. ARMOUR. That is entirely done by the railroad company.

The CHAIRMAN. And if they do not do it efficiently, then the service would be a failure?

Mr. ARMOUR. Yes, sir; most decidedly.

The CHAIRMAN. Now, if you can trust the railroads to perform one of the absolutely essential parts of the service—that is, reicing, don't you think they could be brought to a realization of the necessity of giving just as good service if they owned these cars as you give?

Mr. ARMOUR. I hardly think that is necessarily so, because one service covers, say, a thousand miles, and the other service only covers one particular point. Furthermore, one service is very much more easy to give than the other. That is natural on the face of it.

The CHAIRMAN. You mean that the icing is more a centralized service.

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. More easily done?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. If the railroads owned these cars under the rate-making power of the Federal Government, through the Interstate Commerce Commission, they would be allowed a reasonable rate for whatever service they rendered in connection with these cars, would they not?

Mr. ARMOUR. The same as they now get on the cars that they own.

The CHAIRMAN. Then they wouldn't suffer a financial loss in the operation of these cars if they operated them, because they would be allowed a rate that would compensate them?

Mr. ARMOUR. Do you mean they would be allowed mileage?

The CHAIRMAN. They would be allowed a rate for the freight going in these cars, for the use of them, that would prevent any loss, whereas your company lost \$400,000 last year for owning them.

Mr. ARMOUR. The freight rate is the same whether we ship in our own cars or in outside owned cars.

The CHAIRMAN. And if they gave the same attention as you do, it would cost them as much, wouldn't it?

Mr. ARMOUR. Yes, sir; I think it would.

The CHAIRMAN. And if they were losing money they would be entitled to an increased rate. They are a public utility.

Mr. ARMOUR. Yes, sir; I assume they would.

The CHAIRMAN. If you lost \$400,000 last year in their operation, then ratably, in the same proportion, all the other packers who own private cars must have lost accordingly?

Mr. ARMOUR. I think so.

The CHAIRMAN. Then it would amount to more than \$1,000,000, as a matter of course. Therefore, from the standpoint of that one particular item, I can not see why the packing companies would not be willing to force the railroad companies to own all these refrigerator or meat cars, and to give an efficient service upon the assurance that they would be permitted to charge a reasonable rate for the investment made and the service rendered. I am now speaking on that feature of the bill. If we compel railroad companies to acquire all these cars, and pay just compensation for them, and at the same time furnish service equal to the demands of the public and the trade, that would be a real benefit to the large packers who are losing money on them now, and to all other packers who own cars and who are losing on them. And the advantage which it is now claimed to be gained by packers who own private cars would be removed and out of the public mind.

Mr. ARMOUR. I think our position on that was quite clear. We have no objection, Mr. Chairman, to being relieved of the private cars provided we can get some tangible guaranty that we will have the benefit of cars as we need them, to the end that we may prosecute our business from day to day without being obliged to ask somebody for cars and then not get them.

The CHAIRMAN. I understand you to have no objection whatever to the railroads doing that provided they do it as well as you are doing it now yourself in the conduct of your own business, so that your business may be served and the public may be served as well as you are now serving the public. But you do question whether or not the railroads will do it.

Mr. ARMOUR. I question it very much.

The CHAIRMAN. Naturally, the railroads, I suppose, would want to take over the operating force that have charge of them now, but, of course, I can not tell whether they would operate them as well as you do or not, if they are under the Government, but at least financially, as far as the packing companies are concerned, it would not be an injury to them, as it would relieve them of the losing charge which they have to meet now.

You have shown, Mr. Armour, in a very intelligent and clear statement as to how the packing companies engaged in other businesses than the mere slaughtering and preparing meat for the market for the consumer the food products which you get out of slaughtered live animals in the way of by-products, some of which by-products you have explained very clearly to the committee. Now, insofar as a by-product results directly from the animal that you otherwise have to slaughter and prepare for the market, I can not see that it could be against the public interest for you, or for any other company to engage in such manufacture as that. But it is owing to how far this thing goes. Now, for instance, the hide is clearly a part of the animal, and I believe the packers, or some of them, at least, own tanneries, do they not?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. And tan the hides?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. They make a profit out of the tanning business that is no part of preparing the meat for consumption, or of the carcass of the animal off which the hides came. I can see how natural it would be for the packing companies to tan the hides instead of selling the hides as raw material to tanners. I can see the profit that is in it. But there is the logical thought that this may be pursued to its limit, and of so, how far will it go?

When you tan the hide and make leather out of it, and if you can make money out of the leather by manufacturing it into shoes and other leather products, it would be the most natural thing for you to do so. And inasmuch as you handle a large percentage of the hides of the country and could therefore have the ownership of a large percentage of the leather, quite naturally you could manufacture leather products more cheaply, to some extent, at least, than others not having your distributing facilities and not having the advantage you have in the way of the raw material. If you can go into the manufacture of leather products and sell all of your leather products right along with it like you market your meat, then you would go

into the jobbing business, selling your product to the wholesale merchant—

Mr. ARMOUR (interposing). Are you talking about leather now?

The CHAIRMAN. In a moment. I asked, how far may it go? There is no law against it, neither statute nor moral, as I see, and you could go into the jobbing business of leather products and the making of boots and shoes. And then you could go into the retail business and then you might even peddle such products. So I ask, where are we to draw the line, or have we any right to draw it at all.

Mr. ARMOUR. What you say is theoretically true, but practically it is not true. I do not think any packer who went into the shoe business would make a success of it. The shoe business is a business by itself. It is a business that requires frequent change of styles. It is a business for some reason or other that stands by itself. I do not believe there is any packer who could go into the shoe business and make a success of it, because it is a sort of business that is specialized and stands by itself. It always has been so and, in my opinion, always will be.

Now, Mr. Chairman, I know what is on your mind, or at least I think I do; your thought is if we handle canned goods, we can go on and handle other things through our branch houses, and there would be no end to where we might go. Is that what you mean?

The CHAIRMAN. I mean this: You might have some commercial reason, and you might have a public reason, because if you could make shoes and sell them to the public for less money than they could otherwise be made and sold, there is an economic and a public reason why you should manufacture shoes instead of confining your activities to the manufacturing of leather and selling it to shoe manufacturers. That is what I have reference to; if you can do it more cheaply.

Mr. ARMOUR. I think, theoretically speaking, you are right. On the other hand, practically speaking, I do not think it possible for us to make a success of it.

The CHAIRMAN. Well, tanning is certainly a separate business from the matter of packing meats.

Mr. ARMOUR. Yes, sir; but tanning isn't a business that changes every week. You do your tanning next week the same as you did it last week; you do it next year the same as last year. It is a business that can be automatically done without as many changes as are in the shoe business, or as the shoe business undergoes. I think any packer who would try to start in the shoe business would have plenty of trouble.

The CHAIRMAN. I have no prejudice against it, and I have no objection to your making shoes the same as anything else, if you can better serve the public thereby.

Mr. ARMOUR. You are asking me where it would stop?

The CHAIRMAN. Yes.

Mr. ARMOUR. Well, you might ask if we can sell through our branch houses these other things, where will the additional products stop? I think it would stop at the point where you would lose your efficiency if you added anything more to it. You can handle or put through your branch houses only a certain number of things. I do not mean that is because of the size of your branch houses, because you could make them as large as you please. What I do mean

is, the minute you add too many articles to your salesmen, to the men who sell your goods, you interfere with your efficiency. So there is a natural limit to which you can go, and when you get beyond it they do not sell, any of them, right. That may sound funny to you, but it is absolutely a fact. Do I make myself perfectly clear?

The CHAIRMAN. I think I understand you.

Mr. ARMOUR. We might take on 10 or 12 articles, or 15 articles, and handle them very well. That is, have your selling force put them before the public well and sell them well, and reach a high state of efficiency in handling them. On the other hand, if we add 10 more articles to those, it would not only break down the efficiency in the handling of the first 15 we had, but it would break down the efficiency of everything that we tried to sell.

The CHAIRMAN. Now, suppose your 15 articles are articles that a wholesale grocery business is based upon or at least in part. Would those 15 articles be a substantial percentage of the business the jobber in groceries would do and deprive him of what he gets out of them, and render him less efficient as a distributor to that extent?

Mr. ARMOUR. The man who runs a branch house or a business has a mental ability that will take him just about so far, and he may do it well, but it will not take him very much further.

The CHAIRMAN. You no doubt have men of different mental ability. One man of one mental ability and one man of another mental ability, and you might handle it through the better man.

Mr. ARMOUR. You might, but that won't practically work out.

The CHAIRMAN. Now, let me refer you to another illustration: The making of oleomargarine, as I understand, means the taking of that portion of beef fat and oil that may be used in making it, but they do not constitute a majority of its content. Therefore, cottonseed oil is used in making oleomargarine, and you therefore become interested in the cottonseed oil industry to the extent that you use it for that purpose.

Mr. ARMOUR. No; we do not. We become interested to the extent of making compound lard.

The CHAIRMAN. Well, that will serve as an illustration just as well. I only referred to oleomargarine as I thought of it. Do you use any meat in compound lard?

Mr. ARMOUR. No, sir; it is made entirely from cottonseed oil.

The CHAIRMAN. Then compound lard illustrates the point even better: Compound lard made from cottonseed oil is not even a derivative of the meat-packing industry.

Mr. ARMOUR. No, sir.

The CHAIRMAN. That is entirely independent. So let us see where that will lead you. I am not thinking it is anything criminal for you to do that, you understand.

Mr. ARMOUR. That is all right; go ahead.

The CHAIRMAN. You make compound lard out of cottonseed oil, and cottonseed oil comes from the seed of cotton. I am from the South and know something about it. Before you made cottonseed oil the seed of cotton was absolutely valueless except to use to feed stock on the farm or for fertilizer.

Mr. ARMOUR. You know at times they used stearine, but that is a small percentage.

The CHAIRMAN. In order to secure the cotton seed, and I have heard that such is the case in some instances, but I do not say it is true in reference to your company, that some subsidiary goes out to buy cotton seed, and finally he determines it is to his interest, as he gets a better thing out of it, to put up and own cotton gins. In that way he gets a revenue out of the ginning and then gets the seed itself, for he gets the first chance at it. He has to buy cotton, which is more valuable than the seed, and if he can make money out of cotton in addition to the seed profit, he then is tempted to go into the raising of cotton. In that way he can own a farm and can pursue the business with larger and cheaper capital. Then when he makes cotton in order to get the seed, and in order to make compound lard, he goes one step further and he puts up a factory to manufacture the cotton. Then on down to the selling of it. As long as there is action of that kind, I can see no end to it.

Mr. ARMOUR. That is quite true, Mr. Chairman. You might say the same thing about cattle, that we would go into the raising of cattle. There would be a great deal more reason for us to go into the raising of cattle, but, as I say, I don't care how much ability a man may have, there is a limit to what he can do well, and as to anything that he does not do well, there are so many people who will do it well that he will soon lose so much money on the things that he does not do well that it will be more than offset what he does do well, and it will not work out.

The CHAIRMAN. I have not heard of anything that Armour & Co. have not done well.

Mr. ARMOUR. Well, I do not contend that we have branched out beyond our ability. I may be egotistical about that, but I don't think we have gone out further than the things we could handle, nor into the lines, as you say, we might branch out into. We might go into the shoe business, as you suggest, but I will say that Armour & Co. probably never will go into the shoe business. They certainly never will with my consent. And we will never go into the cattle-raising business, because I think there is a limit to what we can hire ability to do and do well.

The CHAIRMAN. Well, now, with your vast resources, and I do not consider, as Mr. Colver said, that the amount of money you gentlemen have made or have is a question to be considered. But you own your own cars and operate them better than the railroad companies do. Suppose a railroad company does not deliver your cars?

Mr. ARMOUR. Well, is there any reason to believe that if the railroads take our cars to-morrow, that they will operate them any better than they have operated their own cars for the last 20 years?

The CHAIRMAN. There is only one reason I can see why they should not.

Mr. ARMOUR. Well, if they will, I will have no objection, and will withdraw any objection I have. All I want is cars.

The CHAIRMAN. That they will have to operate them all alike. But taking, now, the limit of business, perhaps the railroad companies are not serving the Chicago packers, and I will speak of them, big and little, old and young, as they ought to do. If they are not serving you to suit you, what hinders you buying a railroad and operating it to suit yourself?

Mr. ARMOUR. Nothing, if you have money enough.

The CHAIRMAN. Certainly not. So now, isn't it a fact, or isn't it something we at least ought to consider that when a business gets so large as to affect the entire public and its possibilities get where no successful competition can reach it that is practical and available, that the Government will have to step in and prevent further absorption, even though it might do the unit of service more cheaply or better, possibly, than if the ownership were more generally distributed and competition and individual initiative were more encouraged?

Mr. ARMOUR. That can be answered, I think, from our business, and that is the only standpoint I can answer it from. I think it would be a mistake for Armour & Co. to try to take on products they could not properly handle; and when I say "properly handle," I mean handle to the interest of the consumer as well as of the producer. Now, Mr. Chairman, the minute we get away from that Armour & Co. becomes a failure, and anybody else becomes a failure. It is not the great quantity of articles that a man handles that makes him a success. I claim that if we should try to handle all the articles you state that it is possible for us to handle and which, theoretically speaking, we could handle, but practically speaking we could not handle, we would not be of use to the consumer, and would not be of use to the producer, and we would not be of use to ourselves. The minute we cease to be of use to these three people, Armour & Co. have no place in the community.

The CHAIRMAN. I am not, of course, insisting that the mere size of the business you are doing makes you a public utility.

Mr. ARMOUR. I understand. You want to know where the stopping place is.

The CHAIRMAN. But when it gets so large that it may affect the public, it would be charged with a public interest, at least, in its effects.

Mr. ARMOUR. I agree with you on that, but is it so large when any business that may be done is a help to the producer and the consumer, which I claim Armour & Co. is. Any concern that can do business and get only 1.8 cents out of every dollar, isn't that a help to the consumer? I think it is.

The CHAIRMAN. It might be.

Mr. ARMOUR. And it is just as much help to the consumer as it to the producer. Armour & Co.'s function is a good deal like the Pennsylvania depot is down here. You go down to go to Chicago. You go down in a cab, then you put your satchel out, and a negro takes your satchel and puts it on the train, then you pay him something for doing it. Now, we are no different from that at all. We buy the live animals, and they go through one door and out through the other, and we retain 1.8 cents, as we did last year on every dollar's worth of business we did. And that includes everything. It does not include just the meat, but everything we handle.

Now, I claim when you can do that you are a benefit to the consumer. And you are also a benefit to the producer, because, as a matter of fact, the way this thing works out, Armour & Co. are not particularly interested in the price of live cattle as long as they do not get so low that they stop production and they do not get so high that they stop consumption. You understand what I mean?

The CHAIRMAN. Yes; I understand.

Mr. ARMOUR. All we get is just a shaving. I claim that that shaving is so small that we must be a benefit to somebody.

The CHAIRMAN. If you get only so much per pound then in order to make any money you must have a great number of pounds.

Mr. ARMOUR. Absolutely.

The CHAIRMAN. Now, it appears plainly from your statement that the private refrigerator cars can not be used by packers except at a very material loss. Then how is it going to be possible for the small packer, with a small capital, to own any of these cars? And without them, how are they going to compete with companies like yours who do own them and are willing to lose a large amount of money each year in order to have them?

Mr. ARMOUR. I presume if the railroads would handle them; that is, I mean furnish them, all right. But there is one thing that you must take into consideration, and that is how that profit, very small for the last four years—

The CHAIRMAN (interposing). I am not on profits now, but on the matter of private-car ownership and loss.

Mr. ARMOUR. I know you are on ownership of cars as based on what a man can make on his cars. There is no question about that in my mind. If a man can not make money on cars, he is not going to buy cars. The same thing has happened about refrigerator cars that has happened to the railroads before the railroads were taken over by the Government. Everything costs more, but their rates did not go up, and the result was that every railroad in the country was losing money. Now, in ordinary times, before the war, a refrigerator car might have cost \$1,700. Way back they cost \$900 and \$1,200 was considered a big price for them. During the war any man who bought any refrigerator cars paid \$2,500, and we built 1,000 of them at a cost of \$2,500,000. And mileage has not changed any for a long time.

The CHAIRMAN. They are operated at least without profit?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You gentlemen who have private cars, and you find private cars are essential in order to provide service, and to continue the life of your business, may answer how any packer who doesn't have private cars and can not get them to compete in the same field that you cover?

Mr. ARMOUR. If he can not get them he can not. But there are enough other private cars, as a rule, to take care of that trade. There are enough such cars, generally speaking.

The CHAIRMAN. You have just shown in your statement that the service of other cars is so inefficient—

Mr. ARMOUR (interposing). Not so good; no, sir.

The CHAIRMAN (continuing). So inefficient that no private company can afford to buy cars with the idea that they are going to get any profit or any better service than you are getting with yours.

Mr. ARMOUR. To buy new cars, I don't think they would.

The CHAIRMAN. No railroad company would do it?

Mr. ARMOUR. No railroad company could afford to take our cars over and to buy new cars at 1-cent mileage, at the present cost of cars, or at the cost of cars within the last five years.

The CHAIRMAN. You said you were jealous of volume of business; that if there were a growth in business of other packers you wanted to increase equally with them?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. All the large packers, as you have just stated, are watching each other and striving not only to do as well as the others but better if they can. They having already the field, and having the capital, and having the machinery for distribution, the markets, banks, stockyards, private cars, and everything of that sort, they are fighting each other for volume of business. Now, if with that great power they have to make such an effort, how is any individual small packer to get into the field with any promise of success?

Mr. ARMOUR. There are a great many independent packers in the field and they all make more money than we do.

The CHAIRMAN. At one time when the five great packers began to war on each other as to volume of business, or, I mean, if at any time the five great packers were to begin a war on each other as to volume, and that war should lead to sharp competition, then the little fellows have got to get close to the shore, haven't they?

Mr. ARMOUR. Not necessarily, because the expenses of the big packers are a great deal more in proportion to his size than the little packer.

The CHAIRMAN. A great deal more as to the unit of profit?

Mr. ARMOUR. No; in size.

The CHAIRMAN. The unit of profit is what you make your money on, is it not?

Mr. ARMOUR. Yes; and in the volume or size of business. But the little packer doesn't have the expense of the big packers. The little packer to-day will make more money in proportion than the big packer will make. I do not think there is a little packer in the room now who wouldn't say that.

The CHAIRMAN. Then you gentlemen ought to split up, and then you could do better than you do now.

Mr. ARMOUR. No; while there is a greater percentage it is not so large in the aggregate as the big packer will make.

The CHAIRMAN. The overhead of the small packer, if he hasn't cars of his own, would add a great deal more to his unit of profit.

Mr. ARMOUR. No, sir; I don't think so.

The CHAIRMAN. You large packers then are not doing your business economically if you can not conduct it as at little cost as anybody else.

Mr. ARMOUR. No; I think in any business that the small man's overhead up to a certain point is always smaller than that of the big man. When the small man goes past that point of course it rises.

The CHAIRMAN. Then the fact is that the public, inasmuch as it has to procure from the large packers a very large percentage of their purchases of such meat as they handle, have to pay you that much more therefor; and, if the big packers can not serve the public as economically as the little packers can, it is a very good reason why in the public interest they should cease to exist.

Mr. ARMOUR. That does not exist only up to a certain point. It can not exist beyond a certain point where the little man gets big.

The CHAIRMAN. With the fierce competition that you say exists between the big packers, say Swift & Co. and the others, in every

respect—and it is not competition unless it is real and genuine—I can not see how the little packers without the established trade that you have and the capital that you have, can possibly make more money per unit of product or out of his investment than you can.

Mr. ARMOUR. They do.

The CHAIRMAN. Then the public is interested in having the cheapest production?

Mr. ARMOUR. Well, but you understand that only goes to a certain point, as I say, and when you pass that point you can not do it.

The CHAIRMAN. And if you gentlemen, on account of your size, have ceased to be economical, that is in the sense that the public is interested in it—that is, that you shall furnish at the lowest possible cost these meats; why, then, it seems to me it is good reason why we should do something to stop their growth instead of increasing it.

Mr. ARMOUR. That won't work out. The smaller packers have a local sphere or a limited territory only and when they go beyond this their range of expense increases beyond the pro rata unit that exists within their limited territory. And upon a national basis the smaller packer's expense would increase and would be at least as big, if not bigger, than ours—probably bigger—because of our great widespread volume of business, our very efficient system of distribution, and the consequent economies in our costs of doing business.

The CHAIRMAN. Well, Mr. Armour, the other members of the committee will no doubt cover the whole field with you, and as you are the kind of man that answers right off and does not dodge anything. I am going to turn you over now to Mr. Esch.

Mr. ARMOUR. I have no desire to dodge anything.

The CHAIRMAN. I have no complaint to make, Mr. Armour, of your demeanor as a witness. Mr. Esch, you may take the witness.

Mr. ESCH. Mr. Armour, the evidence taken by the Federal Trade Commission seems to disclose a joint ownership on the part of the big packers in the various stockyards at the primary markets. That is true, isn't it?

Mr. ARMOUR. At some of the markets; yes, sir.

Mr. ESCH. Does that joint ownership on the part of the packers, or a single ownership on the part of a packer, of stockyards at a primary market, have any adverse effect upon the producer of live stock?

Mr. ARMOUR. I don't think so; no, sir.

Mr. ESCH. Does the fact that the packer is not only the buyer of a large percentage of the live stock, but also owns and operates the stockyards where the buying is done, so far as your experience goes, work to the disadvantage of producers?

Mr. ARMOUR. I do not think so; no, sir.

Mr. ESCH. Is the joint or single ownership of stockyards at the primary markets an instrument in anyway for the artificial increase or decrease in the prices for live stock?

Mr. ARMOUR. I didn't just catch that question.

Mr. ESCH. I will ask the stenographer to read it.

(The stenographer at this point repeated the question).

Mr. ARMOUR. No, sir.

Mr. ESCH. Do you packers owning interests in these stockyards, directly or indirectly, use such ownership in affecting the prices they pay for the stock they buy?

Mr. ARMOUR. No, sir; not at all.

Mr. ESCH. So, then, it is your conclusion that the ownership of stockyards by packers, either singly or in groups, is not a disadvantage in the process of the cattle industry?

Mr. ARMOUR. I do not think it would make one bit of difference who owned the stockyards as to the price of cattle. Is that what you meant?

Mr. ESCH. Yes; as to the price of cattle.

Mr. ARMOUR. Not one bit of difference.

Mr. ESCH. If that be true, then, it is immaterial in whose ownership these stockyards are?

Mr. ARMOUR. Absolutely, if the service is just as good as it is now.

Mr. ESCH. Does the fact that these stockyards are owned jointly or separately by the packers increase the movement of cattle from the farm to the consumer?

Mr. ARMOUR. I do not think it makes any difference.

Mr. ESCH. In your opinion, then, parties wholly independent of the packing industry could as well own and operate these stockyards as do the packers themselves?

Mr. ARMOUR. Why, yes; I see no reason to the contrary, if they have the outlet.

Mr. ESCH. Does the ownership of stockyards by one or more packers cause those packers to build up that market in order that more business might be done at that yard?

Mr. ARMOUR. I do not think so; no.

Mr. ESCH. Is there any rivalry between the stock markets as to the amount of business that should be done and in securing shipments to those markets?

Mr. ARMOUR. You are talking now from a stockyards standpoint?

Mr. ESCH. Yes.

Mr. ARMOUR. Why, I think there is.

Mr. ESCH. If one of the packers owns the stockyards at St. Joe and another at Kansas City, it would be to the interest of the packer to build up the market at the stockyards where he had a financial interest, would it not?

Mr. ARMOUR. Provided it did not cost him too much money.

Mr. ESCH. How is that?

Mr. ARMOUR. Provided he did not have to pay too big a price for his live stock to bring there; yes.

Mr. ESCH. Well, would the fact of such competition in ownership of live-stock yards have an effect on the prices they would offer to the producer?

Mr. ARMOUR. I do not think it would, broadly speaking; no.

Mr. ESCH. If, then, there is no competition in the price offered to the producer as to which yard the stock should be sent, there wouldn't be any competition between the stockyards in the business to be done.

Mr. ARMOUR. Except as to the cost of transportation. Live stock would go to certain natural yards. Take Fort Worth, and it is natural for the cattle and hogs that are in Fort Worth to go to the place where their freight is cheapest and where they will have the least shrinkage; and if they don't get as good a price at that place, they always have the privilege to ship it to some other yard.

Mr. ESCH. Is this true (I take it from part 2 of the Federal Trade Commission's report) :

A packer heavily interested in a stockyards company, such as Swift & Co. at St. Joe or Morris at Kansas City, desires to have the market supported in order to keep shippers sending their live stock to it.

Is that true?

Mr. ARMOUR. That is true and it is not true.

Mr. ESCH. In what respect it is not true?

Mr. ARMOUR. Well, Mr. Swift, who owns stock in the St. Joe yards, could not afford to pay very much more for his live stock at St. Joe than he could get live stock at any other place where he has a packing house.

Mr. ESCH. Is there a tendency to supplant railroad stockyards with stockyards owned and operated by the packers?

Mr. ARMOUR. I did not understand your question.

Mr. ESCH. Is there a tendency to supplant—yes, supplant is the word—railroad stockyards with stockyards owned and operated by the packers?

Mr. ARMOUR. You use the word "supplant" in what way?

Mr. ESCH. Taking the place of. I think the chairman cited a place at Fort Worth.

The CHAIRMAN. Yes; the railroad company owned the stockyards and the packing houses brought certain influence to bear upon them to get the stockyards.

Mr. ESCH. So that there might be a certain business on a certain line of railroad, I take it.

Mr. ARMOUR. Generally speaking, I would say no.

Mr. ESCH. Where there is a stockyard not owned and operated by the packers but owned and operated by a railroad company is the service usually sufficient and satisfactory?

Mr. ARMOUR. Stockyards that are owned by whom?

Mr. ESCH. Railroad companies.

Mr. ARMOUR. Well, I do not know that I know about that, because most of the stockyards that we are interested in—I mean at most of the places where we have packing houses—we have some interest in the stockyards.

Mr. ESCH. So that you do not have to handle your stock at a yard owned by the railroad companies. Are there such yards?

Mr. ARMOUR. Well, I presume there are. Do you mean owned by the railroad companies?

Mr. ESCH. Yes.

Mr. ARMOUR. I doubt if there are many. There may be some little stockyards, but generally speaking, I would say no.

Mr. ESCH. Aren't the stockyards at Buffalo and Pittsburgh, and other places, owned by the railroads?

Mr. ARMOUR. I do not know whether they are owned by the railroads at Buffalo or not.

Mr. ESCH. How about Detroit?

Mr. ARMOUR. I do not know about Detroit.

Mr. ESCH. One of the witnesses here on yesterday testified about Detroit.

Mr. ARMOUR. Well, I could not personally answer that because I do not know who owns the stockyards at Detroit.

Mr. ESCH. One of the witnesses here on yesterday complained of the treatment received by his house at the hands of the stockyards management at Detroit, that yard being under the ownership of a railroad.

Mr. ARMOUR. Well, I do not know about that, Mr. Esch. We have no interest in Detroit, so I really could not answer that question intelligently.

Mr. ESCH. The point I am trying to get at is this: Whether where there are stockyards owned by railroads their management and operation is more efficient and more satisfactory than those stockyards owned and operated by the packers?

Mr. ARMOUR. I wouldn't think they were; no.

Mr. ESCH. Then in that you see a justification for the ownership and operation of these stockyards by the packers themselves?

Mr. ARMOUR. Why, if anybody can operate the stockyards as well as the packers can operate them, I have no objection whatever to having them operated or owned by others.

Mr. ESCH. Is your fear based on the fact that if the railroads should own and operate the stockyards, there wouldn't be that efficient service which you now claim you are receiving at the stockyards owned and operated by the packers?

Mr. ARMOUR. I wouldn't think there would be.

Mr. ESCH. Now, just tell us the reason you wouldn't think there would be.

Mr. ARMOUR. Why, for the very reason that we have never found that cars operated by the railroads—we think we get better efficiency out of our management than the railroads get out of operating the cars, or anything else that the railroads do.

Mr. ESCH. How about the equipment supply? Do you think the packers would have better equipment in all respects?

Mr. ARMOUR. At the stockyards?

Mr. ESCH. Yes; more suited to the business and more adapted to the various kinds of business you have to do.

Mr. ARMOUR. Well, I think the packers have always tried to have their equipment a little above the wants of the community. That has been the personal desire that the individual would have, and the individual can see the requirements in the future a little better than can a railroad company, and will do a little better than if owned by a railroad company.

Mr. ESCH. If the stockyards were to be taken over by the Government and operated as a public utility, in your opinion, would that operation be as successful and as expeditious as now?

Mr. ARMOUR. I, personally, do not think so; no.

Mr. ESCH. Would that be the reason why you would oppose the provisions of the bill which contemplates such taking over?

Mr. ARMOUR. That is all. It is simply a question of efficiency, and that is all.

Mr. ESCH. You think the packers, owning and operating the stockyards, would be more alive to the needs of the business and more responsive to the demands of the business, and hence more ready and quick to put in the latest improvements and adaptations for carrying on the business?

Mr. ARMOUR. I think so; yes, sir.

Mr. ESCH. You think all that is necessary for the expeditious and economical handling of the live stock and packing industry?

Mr. ARMOUR. Most decidedly.

Mr. ESCH. The kindred question would then come to the ownership and operation of refrigerator cars or beef cars. Would it be your contention that for a like reason the Government should not own and operate refrigerator or beef cars?

Mr. ARMOUR. Yes, sir.

Mr. ESCH. That that ownership should remain where it is now; is that the point?

Mr. ARMOUR. I think so; and also the Interstate Commerce Commission has passed upon the same thing.

Mr. ESCH. Was that based upon the fact—you are now referring to the private-car lines report made in July, are you not?

Mr. ARMOUR. Yes, sir.

Mr. ESCH. By the Interstate Commerce Commission?

Mr. ARMOUR. Yes, sir.

Mr. ESCH. Was that based largely upon the fact, as found by the commission, that you got a larger percentage of efficiency, no matter whether in mileage or ton haul, than in the case of railroad refrigerator cars?

Mr. ARMOUR. Well, I assume it was. I do not know on what basis it was formed. I do not know on what basis their conclusions were drawn; but I assume that would be naturally the case.

Mr. ESCH. Would rapidity of movement of refrigerator cars and certainty of service by those cars be necessary for the successful management of the packing industry?

Mr. ARMOUR. Most decidedly.

Mr. ESCH. Supposing the Government takes over the operation of refrigerator cars, would it have to establish an administration that would be as complete and as efficient as you have now?

Mr. ARMOUR. Yes; and further than that, they would have to be willing to spend a great deal of money every year to take care of not only the cars that were destroyed, but the increased business of the country as the population increases.

Mr. ESCH. Would railroad management as readily respond to those increases or growing demands as the packing industry does?

Mr. ARMOUR. Well, I do not think that any railroad management on anything or any public management is as responsive as individual management is.

Mr. ESCH. Well, your idea is to leave this to private initiative?

Mr. ARMOUR. Yes; I do not think the other way is natural. It just doesn't work out. I think the initiative of the individual who has a business—and it is as old as the hills—is usually a great deal better. He sees the needs of the business better than the man who has nothing to do but just handle, we will say, refrigerator cars. The latter man will have a hundred and one reasons why he can not give you cars, and those hundred and one reasons will be very bad for the packers and the country at large when cars were needed.

Mr. ESCH. Of course, there should be no discrimination as to people receiving refrigerator cars under the interstate commerce act; but, as a matter of fact, they are discriminated against because there is not a sufficient supply of refrigerator cars and they can not be furnished when needed. You, owning your own cars, have absolute

control and mastery over them, and by tracing them can always keep a supply on hand; is that the proposition?

Mr. ARMOUR. Yes, sir.

Mr. ESCH. I do not want to encroach on the time of others and will not ask Mr. Armour any more questions at this time.

The CHAIRMAN. Mr. Doremus, do you wish to ask Mr. Armour any questions?

Mr. DOREMUS. I would like to ask a question or two. Mr. Armour, have you read Mr. Colver's testimony before this committee?

Mr. ARMOUR. I do not know that I have read it all. I have read the greater part of it, and I think practically all of it. I do not know whether I have read every bit of it, however.

Mr. DOREMUS. Have you read that part of it dealing with the incorporation of the Chicago Stocks Yards Co. under the laws of Maine?

Mr. ARMOUR. I think so; yes, sir.

Mr. DOREMUS. Are you sufficiently familiar with this testimony in that respect to state whether it is substantially true?

Mr. ARMOUR. No; I am not. But I know about the Chicago Stock Yards, if you want to know anything about that, and I will try to answer any question you ask me.

Mr. DOREMUS. I refer you to the incorporation of the company by yourself and Mr. Prince under the laws of the State of Maine, with a capitalization of \$1,000,000, which capitalization was subsequently increased to \$8,000,000 on the strength of a typewritten plan of operation that was submitted by someone in Boston.

Mr. ARMOUR. Well, I don't know on what grounds, or rather I had no personal knowledge that it was increased on some typewritten report of some man, but know that it was increased.

Mr. DOREMUS. Mr. Colver testified that your cash contribution to the capital stock of that corporation was \$194,000.

Mr. ARMOUR. I do not know how much it was and therefore I could not say at this time, but I will be very glad to get you the figures and send them to you. I can not furnish them now because I haven't got them in my head, but they are available for this committee.

Mr. DOREMUS. And that subsequently on the strength of this paper plan the capital stock was increased to \$8,000,000, of which your individual holdings were something over \$1,000,000 without an additional investment of any cash.

Mr. ARMOUR. That may be true, without any additional investment of cash, but the value was there. The value had increased and the value was there if that was done, and that was done.

Mr. DOREMUS. You are quite certain, then, that the \$8,000,000 represented actual value in the business?

Mr. ARMOUR. Yes, sir; I am very certain.

Mr. DOREMUS. Well, then, any inference that might be drawn from the testimony of Mr. Colver that the \$7,090,000 represented water is not correct?

Mr. ARMOUR. No, sir. I think the valuation of the Union Stock Yards is actually more than \$8,000,000, and I think it can be very easily substantiated by anybody going out to Chicago and viewing the land and the different things they own. Before that was done there had been a great increase in the value of the land.

Mr. DOREMUS. When was the Chicago Stock Yards Co. incorporated?

Mr. ARMOUR. I do not know. Doesn't it say there?

Mr. SWEET. It says in 1911.

Mr. DOREMUS. Yes; it says in 1911. Was the property at that time worth \$8,000,000?

Mr. ARMOUR. I think a great deal more than \$8,000,000.

Mr. DOREMUS. Why was it only originally incorporated for a million dollars?

Mr. ARMOUR. I can not answer that question. But I think Mr. Prince and myself—and I am a small stockholder in the company, comparatively speaking.

Mr. DOREMUS. You are a minority stockholder?

Mr. ARMOUR. Yes, sir.

Mr. DOREMUS. Do you know who the other stockholders are?

Mr. ARMOUR. As far as I know none of the other packers, but F. H. Prince is.

Mr. DOREMUS. You think F. H. Prince owns the balance of the stock?

Mr. ARMOUR. I think so; yes, sir.

Mr. DOREMUS. Mr. Colver testified that when they were there investigating they were unable to determine who the other stockholders in the corporation were.

Mr. ARMOUR. I am pretty sure, but I don't know; but, as I say, I am pretty sure it is F. H. Prince; though you will have no difficulty finding that out if you will ask Mr. Prince.

Mr. DOREMUS. As a minority stockholder in a corporation of that kind you must be interested in knowing who owns the majority of stock?

Mr. ARMOUR. As far as I know, and my understanding is that F. H. Prince does, and that is what I think.

Mr. DOREMUS. So far as you know there are no other stockholders?

Mr. ARMOUR. As far as I know there are no other stockholders.

Mr. DOREMUS. Do you happen to know, Mr. Armour, why they issued those so-called stock warrants payable to bearer instead of stock certificates?

Mr. ARMOUR. No; I do not know.

Mr. DOREMUS. That is all I care to ask.

The CHAIRMAN. Mr. Hamilton, do you wish to ask Mr. Armour any questions?

Mr. HAMILTON. Just three or four questions. Mr. Armour. Have you the figures to enable you to state approximately the number of beef cattle in the United States in proportion to population, say, in the year 1918?

Mr. ARMOUR. Of beef cattle?

Mr. HAMILTON. Yes.

Mr. ARMOUR. I do not know, but I think somewhere between 40,000,000 and 50,000,000. I could not answer that question off-hand.

Mr. HAMILTON. I am trying to get the proportion of beef cattle to population in order to make a comparison. Can you give me the approximate information as to the probable proportion of beef cattle to population in the year 1910?

Mr. ARMOUR. I could not say, but these things are all a matter of record. I could get them for you; I could see that you have them.

And you can get that information from the Department of Agriculture.

Mr. HAMILTON. Well, has the supply of beef cattle been increasing or diminishing according to population; do you know that?

Mr. ARMOUR. Well, I think the beef-cattle supply during the last two years has been increasing.

Mr. HAMILTON. Increasing in the last two years?

Mr. ARMOUR. Yes; during the last two or three years.

Mr. HAMILTON. Well, then, if it had not been for the war the price of meat ought to have declined.

Mr. ARMOUR. It wouldn't be as high as it is now.

Mr. HAMILTON. Well, I say, operating under normal conditions the price of meat ought to have been lower.

Mr. ARMOUR. I do not know as it would have increased, and do not know as it would have been anywhere near as high as it is now.

Mr. HAMILTON. Your theory is, is it not, that the law of supply and demand is in operation, and that the packers are not restricting or restraining that law of supply and demand in any respect?

Mr. ARMOUR. Absolutely not.

Mr. HAMILTON. How many packing houses have Armour & Co. in Argentina?

Mr. ARMOUR. We have one that we own entirely ourselves, and we have a half interest in another.

Mr. HAMILTON. What influence, approximately, does the meat that you ship from Argentina have upon the market here?

Mr. ARMOUR. None whatever, because there has not been any meat come from Argentina to America during the war.

Mr. HAMILTON. Did it have any influence before the war?

Mr. ARMOUR. Yes, sir, I think so; and it would tend to lower the price of meat here.

Mr. HAMILTON. It did tend to lower it?

Mr. ARMOUR. Yes, sir; but since we have been at war there has been no Argentine beef shipped into the United States. It has all gone to England and France and to the continent.

Mr. HAMILTON. That means that the beef packed by Armour & Co. in Argentina has gone direct to the continent of Europe or to England?

Mr. ARMOUR. Yes, sir; to the allies.

Mr. HAMILTON. By the way, speaking of the war, did Armour & Co. furnish any expert assistance to the Food Administration in trying to determine the license under which the prices of meat should be stabilized during the war?

Mr. ARMOUR. No, sir.

Mr. HAMILTON. It has been testified that the Food Administration had expert assistance of dollar-a-year men furnished by certain packers.

Mr. ARMOUR. Why, we furnished a good many dollar-a-year men to the Government, and we furnished a man named McDowell to Barney Baruch, whatever he was in charge of—

Mr. HAMILTON (interposing). The War Industries Board.

Mr. ARMOUR. Yes; the War Industries Board, I believe. I do not have in my mind, and I think I am correct in saying, that we have not furnished anybody who happened to go directly to Mr. Hoover's department. Is that the one you refer to?

Mr. HAMILTON. Yes. It struck me as quite remarkable that the Food Administration, without having had any previous experience, should be able in a few months by inspiration, as it were, to invoke the information necessary.

Mr. ARMOUR. Well, I do not mean to say that they have not had food experts. But I mean to say they haven't had any in their employ from Armour & Co.

Mr. HAMILTON. Have they had experts from other packers?

Mr. ARMOUR. I have no knowledge of that, but think they had—no, I don't think they have had from the other packers directly. They have had some number of people who at some time were with the packers, but not at the time the war broke out. They had men that got their experience with the packers but who were in other business when the war broke out.

Mr. HAMILTON. If I got Mr. Colver's testimony accurately, I thought he said so.

Mr. ARMOUR. I do not want to mislead you at all. If you can tell me the name of any man, I can quickly tell you about him.

Mr. HAMILTON. He did not give any name.

Mr. RAYBURN. I think you are mistaken, Mr. Hamilton, about it's being Mr. Colver. I think they are talking about Mr. Hay over in the Senate.

Mr. HAMILTON. No; I think not.

Mr. ARMOUR. I do not mean to say that they had no food experts, for they have them, too, as I understand. What I meant was, they didn't have anybody that came from Armour & Co. Was that your question?

Mr. HAMILTON. Yes.

Mr. ARMOUR. No, sir.

Mr. HAMILTON. I wanted to know how the Government could get along with the management of a tremendous continental and, I might say, international business without previous expert knowledge.

Mr. ARMOUR. Well, they have them. They have had men with previous expert experience, but they didn't happen to have them from the packers. But there are plenty of experts they could get without coming directly to Armour & Co. or to Swift & Co.

Mr. HAMILTON. Where would they get them?

Mr. ARMOUR. Well, the man who happens to be at the head now is a man named Snyder. I say he is at the head; he is here now under Mr. Hoover. He does a business, I don't know of how many million dollars a year, maybe \$10,000,000, maybe \$8,000,000, or maybe \$8,000,000, and maybe more. He knows the business as well as I do. I do not mean to say that in an egotistical way, however. But he knows it as well as anybody in the packing business, by reason of the fact that he is in the meat business in Boston. He buys and sells meat. He sells it to the hotels. There isn't anything about the business, I don't think, that Mr. Snyder doesn't know. If I owned a business, Mr. Snyder could run it for me, too, because I think he is a man who has a very expert knowledge of the business.

Mr. HAMILTON. Your theory, Mr. Armour, is that by virtue of the very magnitude of your business you and the other packers, say, the five great packers, each unit of production is made cheap to the consumer, and cheaper than if operated by smaller producers?

Mr. ARMOUR. Most decidedly; yes, sir.

Mr. HAMILTON. Now, to the uninformed man the operation of the stockyards seems to present the opportunity to control prices of meat on the hoof to some extent. For illustration, I am asking you for information and I want to get your opinion. Whenever a shipper sends cattle and hogs to stockyards, the yardage charges commence immediately, and the cost of grain and hay is higher there than anywhere else, so that it becomes important, at least to the shipper of live stock, to get that stock out of there as soon as he can, doesn't it?

Mr. ARMOUR. Yes.

Mr. HAMILTON. He can not afford to keep it there very long; they would eat their heads off very soon?

Mr. ARMOUR. Yes, sir; and shrink their heads off, too.

Mr. HAMILTON. Yes. Now, of course, any expert buyer realizes that. Having in mind human nature, it has occurred to me that it might be possible that your buyers and Swift's buyers, and buyers for other concerns, possibly, might control prices to some extent. Your buyer doesn't want to pay any more than he has to, I suppose.

Mr. ARMOUR. I hope not.

Mr. HAMILTON. You wouldn't like to think that of your buyer?

Mr. ARMOUR. No, sir; I wouldn't like to have that kind of a buyer.

Mr. HAMILTON. You are interested in having your buyer buy as low as he can?

Mr. ARMOUR. Naturally.

Mr. HAMILTON. You could if you wanted to drive the smaller dealer out of the yards, couldn't you?

Mr. ARMOUR. No, sir; most decidedly not.

Mr. HAMILTON. You could take a series of weeks and put the prices so low, possibly at your loss, or so that you wouldn't make much, possibly, but so low that the smaller dealer could not compete with you, couldn't you? Your capital is sufficient to enable you to do that, isn't it?

Mr. ARMOUR. You are talking about the individual market now?

Mr. HAMILTON. You could do it if you wanted to.

Mr. ARMOUR. Are you talking about the individual market?

Mr. HAMILTON. I am talking about operations on stockyards. You could do that, couldn't you?

Mr. ARMOUR. No, sir; that wouldn't be possible.

Mr. HAMILTON. Why not?

Mr. ARMOUR. If Armour, or Swift, or—

Mr. HAMILTON (interposing). It has been argued here that it is possible. I want your ideas on the subject.

Mr. ARMOUR. All right. If what you call the big packers were the only buyers on that market, and they were the only buyers on all other markets, that would be possible; yes. But they are not the only buyers on that market; there are many other buyers, and what you might call speculators, who buy cattle and have no slaughter-houses at all. They buy cattle with the hope that next week they will be higher, or buy them and ship them to some other market in the hope that they will find a higher market somewhere else.

Mr. HAMILTON. They have no set market for their purchases such as you have, or for your produce such as you have.

Mr. ARMOUR. Oh, yes; there are many other buyers except us.

Mr. HAMILTON. They are smaller than you are?

Mr. ARMOUR. Yes; they are smaller, but if we tried to buy any particular bunch of cattle, say at Omaha; suppose we tried to buy any particular bunch of cattle at Omaha very low—and you are talking now about collusion, aren't you?

Mr. HAMILTON. I have not suggested collusion at this stage.

Mr. ARMOUR. There is no other way that you could do it. There is no other way that that could happen, because if we tried to buy a particular bunch of cattle way below the market—under the market of yesterday and day before yesterday and what is going on the market to-day—we wouldn't get that bunch of cattle, because there would be somebody else who would be there and buy that bunch of cattle, or the man who owned them instead of selling that bunch of cattle to us would sell to somebody else. He knows what the market is just as well as we do, and instead of selling that cattle to us, if we made a fool bid, way below the market, he would either hold the cattle until the next day, which would cost him some money, it is true, unless he got a better price the next day to compensate him, or he would ship his cattle on to Chicago, which is often done. So I say that is a physical impossibility to happen.

Mr. HAMILTON. He would lose every minute they stayed there?

Mr. ARMOUR. Certainly he would lose something every minute, but he might not lose enough—

Mr. HAMILTON (interposing). He would encounter the same buyers there?

Mr. ARMOUR. But the same buyers do not buy all the stock. That could not happen unless they bought 100 per cent or 90 per cent or 75 per cent of the stock, which they do not do. There are plenty of individual buyers from these small packers, and there are lots of other people who buy. They must buy cattle; not as many cattle, of course, as we do, but they buy.

Mr. HAMILTON. How many small buyers are there?

Mr. ARMOUR. Mr. Colver said 60, but I think a great deal more than that. I personally would think a great deal more than that, and still 60 are a good many. In other words, if we tried to buy anything much below the market we wouldn't get it, and that is all. We do not have a monopoly of the market at all.

Mr. HAMILTON. You say that it is not possible that there would be collusion between the representatives of the five packers on the yards?

Mr. ARMOUR. I say there is no collusion; no.

Mr. HAMILTON. Still, it has been argued here that it is easily possible, and certain facts detailed here indicate that it might happen.

Mr. ARMOUR. I do not know by whom it is argued, but it is not so. It is certainly not so. If that were so, and this may be far-fetched, the present price of hogs and cattle wouldn't be where it is to-day, especially prices for cattle.

Mr. HAMILTON. Why not?

Mr. ARMOUR. Because they wouldn't be as high as they are to-day. If we had any way to permanently or even temporarily depress the price, the price of cattle wouldn't be where it is to-day.

Mr. HAMILTON. You contend that you are not in a position to in any way control the price of meat on the hoof to the producer?

Mr. ARMOUR. No, sir.

Mr. HAMILTON. And you are not in any position to control the price of meat to the consumer?

Mr. ARMOUR. No, sir; absolutely not; absolutely not. You see, beef is not like pig iron. We ship beef to all our houses, and when we ship the beef we do not know what we are going to get for it. We may guess what we are going to get for it, but we do not know. We know about what the consumption of beef is in New York. That is our business, to know. I do not know, but we have a man who knows. We know what the consumption of beef, for instance, is in the Washington market. Now, we know when we ship that beef, if the market is steady and if there isn't any more beef going on that market than a certain amount, what the result will likely be; we know pretty near what we will get for the beef. But there are many factors which enter into what we will get for it. Weather conditions enter into it. We know that in warm weather there is not as much beef consumed, and the consumption of beef this week may not be the same as the consumption of beef next week.

Mr. HAMILTON. Do you carry a considerable supply of meat in cold storage?

Mr. ARMOUR. Here or in Chicago?

Mr. HAMILTON. I mean generally, throughout the country.

Mr. ARMOUR. Well, as a rule, the cattle we buy to-day or the cattle we have in our cold storage in Chicago or in our various branches is usually shipped out during the week. I mean that our weekly buy except the cattle we buy, for instance, on Friday or Saturday, are usually shipped out by Saturday. I mean that all cattle we buy up to Wednesday ordinarily are shipped and on their way east or toward destination by the end of the week.

Mr. HAMILTON. I suppose you can raise or lower the price of meat if you want to, can't you?

Mr. ARMOUR. Well, I don't think we could; no. I think the price of meat is absolutely based on the law of supply and demand. It is a perishable article, and has got to be sold within a reasonable time. In fact, all our beef that we ship is shipped with that idea. We try to have our coolers here in Washington empty on Saturday night, the end of the week. I am speaking about Washington now, and, as you know, we have a place here, and ordinarily we try to have all our beef sold by the end of the week.

Mr. HAMILTON. Would that meat suffer if you did not sell it?

Mr. ARMOUR. Why, it wouldn't suffer if you held it for a day or two. But it would suffer if you kept it over indefinitely. It is the same as if you would keep it in your house or anywhere else, and, of course, you can keep it a day or two or two or three days, but the longer it is kept the more undesirable it is to the man who buys it. It may look as well, but it is a great deal better to sell it fresh, not only for use, but for the man who buys it.

Mr. HAMILTON. You could raise the price of meat, of steak, if you wanted to, for a little while, couldn't you? Your system is designed to stabilize the market as I understand it; it doesn't fluctuate much from day to day.

Mr. ARMOUR. You say we can raise the price of meat. I do not know how many cars of beef we send here, but assume we send 10 cars a week now, and I do not suppose we send as many cars as we did when Washington was full of people. But if we were to cut our

shipments down to four or five cars a week, I presume naturally the price of beef would rise somewhat.

Mr. HAMILTON. Yes. How do you know how much beef to ship, we will say, to a given city. Take Washington for instance.

Mr. ARMOUR. Well, we have a manager here; the manager is the head of the whole house. He has charge of the selling and everything. Under that manager we have what we call a beef man, and that beef man doesn't sell it but he stays in the cooler all the while, and when I say cooler, it is where we have the fresh meat. All of that man's business is to sell the fresh meat.

Mr. HAMILTON. He makes requisition on you for a supply of meat from time to time?

Mr. ARMOUR. Yes, sir; and he knows by the way customers are coming in, or, that is, he should know, and these men are well paid. They are what we call traders and good men and can sell the beef for a good deal more money than a poor man can. The man who has charge of the cooler can tell by the attitude of his trade as they come in on Monday and Tuesday and Wednesday, and can also tell how much the other packers have on the way.

Mr. HAMILTON. And in that way you know the consumption?

Mr. ARMOUR. Naturally.

Mr. HAMILTON. Or rather the needs of the people for meat throughout the country and in all the large cities.

Mr. ARMOUR. Yes, sir. And our shipments to Washington, for instance, are gauged practically wholly on recommendations of what our manager tells us to ship. He may say to us, "Next week there will be a convention here, and I think the beef trade will be good," and he will order more beef because, naturally, we always want to sell all the beef we can. Our expenses for running these houses are just the same, week in and week out, practically.

Mr. HAMILTON. If I do not interrupt you, let me ask: Do you make that price in relation to the price you pay for the stock?

Mr. ARMOUR. No; they know what the beef cost and that is all, and they get what they can for it. If we ship a car of beef down here, one week we may get a cent a pound profit on that beef, and the next week—

Mr. HAMILTON (interposing). I didn't catch the latter part of your answer.

Mr. ARMOUR. There may be one week that our man would get a cent a pound profit on his beef, the next week he might suffer a half a cent a pound loss.

Mr. HAMILTON. Why is that?

Mr. ARMOUR. Because there is more beef on the market and the weather may change, and there are lots of reasons for it. People do not eat so much beef in hot weather. You may go along and have quite a hot week.

Mr. HAMILTON. Then your supply is gauged according to climatic conditions.

Mr. ARMOUR. Yes; the beef for next week is already on the road, has already been shipped.

Mr. HAMILTON. Your current price of meat is not regulated by the price of cattle?

Mr. ARMOUR. No, sir; we may tell the man. You are selling our beef at a loss, and he will give us many reasons why he did not get

more. I do not mean for you to infer that we do not get all we can for our beef, because we do, but the man who is selling our beef here doesn't always have it in his power to get relatively as good a price as we might have had to pay for the cattle. All he knows is what the beef cost us. We send him a memorandum of what the beef cost and he is to take what the market pays.

Mr. HAMILTON. Take the aggregate supply of meat in the country, what proportion, approximately, do you supply?

Mr. ARMOUR. Do we supply?

Mr. HAMILTON. Yes.

Mr. ARMOUR. Do you mean the five big packers or everybody?

Mr. HAMILTON. Well, I will put it this way, what proportion do the five big packers supply?

Mr. ARMOUR. I would say, offhand, 40 per cent, probably. I am speaking now not of any individual market. At one individual market it might run more and at another less. But I would say 40 per cent, offhand, on the average. I think that is about right.

Mr. HAMILTON. Are the so-called independent packers organized to handle meat as well as the five big packers?

Mr. ARMOUR. You are speaking about beef?

Mr. HAMILTON. I am speaking of the larger cities, for illustration.

Mr. ARMOUR. I would say so, generally speaking; yes. The ones that handle and ship beef have branch houses.

Mr. HAMILTON. Is there any competition in the supply of meat as between the independent packers and, we will say, the "big five?"

Mr. ARMOUR. Yes; there is competition between everybody that is in the meat business, regardless of who it is, and it doesn't make any difference.

Mr. HAMILTON. I mean in actual practice.

Mr. ARMOUR. Yes; and I am speaking of that.

Mr. HAMILTON. Your man tells you here how much beef he wants you to ship to him?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. He gauges this market and tells you how much to ship. I presume Swift & Co.'s man does the same thing.

Mr. ARMOUR. I suppose so; yes.

Mr. HAMILTON. Possibly in order to know how much each one shall bring on the market they will apportion the market to some extent among themselves; they would have to do that, wouldn't they?

Mr. ARMOUR. Not exactly; no.

Mr. HAMILTON. You don't think they do, but that would be natural, wouldn't it?

Mr. ARMOUR. No. Our amount of business in Washington, and Swift's amount of business, is gauged actually according to what they have been doing for many, many years.

Mr. HAMILTON. Does the average consumer know the difference between Armour's steaks and Swift's steaks?

Mr. ARMOUR. No; I don't think they do, and I wouldn't know that.

Mr. HAMILTON. I believe the only difference was that Kingan's man said their bacon was a little better than yours?

Mr. ARMOUR. I wouldn't be surprised, and they got awfully good prices for it.

Mr. HAMILTON. They get better prices than you do?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. I think he admitted that they could drop the price a little, but they have the market and sell.

Mr. ARMOUR. I think that Kingan & Co., of Indianapolis, get a little better price than others.

Mr. HAMILTON. It occurred to me inasmuch as the nature of your operations make it necessary for you to know how much beef to ship to Washington at a given time, it is obviously necessary for your so-called competitors to know how much beef to ship to Washington at any given time, and you must have some system to arrive at the amount of meat that each one of you shall ship to Washington at any given time.

Mr. ARMOUR. That is not so. For instance, we have been here 20 years, I suppose, at this market. Our man that happens to be here—and probably it is the same with Swift & Co.'s man—but I say our man has been with us, with Armour & Co., for many years. He has a trade of his own. He has people who come in and would rather buy from him, just as Swift & Co.'s man has people who would rather buy from their man rather than from Armour's man. By virtue of Armour's man being here all these years he has been in the habit—and we call it a habit because I do not know of any other word I could use—he has been in the habit, we will say, of selling 10 cars a week. He knows his trade and that under ordinary conditions it will take about 10 cars of beef a week.

Mr. HAMILTON. If he were a little bit enterprising he might increase that.

Mr. ARMOUR. I was going to get to that. Of course he does. But you ask. How does he know how much to order? Ordinarily speaking, he would order about 10 cars a week. He does try to get it up to 12 cars a week, I have no doubt, just the same as Swift & Co.'s man will try to get more a week and to get some of our customers away from us. He would get them away if his beef were better and his service were better and his prices were very much lower—he would get them, but he wouldn't keep them.

Mr. HAMILTON. I am afraid I am taking too much time.

Mr. ARMOUR. I want to ask you a question. I am particularly anxious to tell you what I know, if I can.

Mr. HAMILTON. There are several questions I would like to ask, but realize I am taking up a good deal of time.

The CHAIRMAN. It is now 4 o'clock, and we have been here all day and were here all day on yesterday, and some of the committee would like to adjourn. Mr. Armour, can you come back at 10.30 o'clock to-morrow?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. If it will not inconvenience you too much, I would like to have you come back at that time.

(And, at 4 o'clock p. m., the committee adjourned until to-morrow morning at 10.30 o'clock.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
January 22, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. J. OGDEN ARMOUR, ON BEHALF OF ARMOUR & CO., CHICAGO, ILL.—Resumed.

The CHAIRMAN. I believe Mr. Hamilton had finished his questions yesterday when we took a recess, and Mr. Stephens has some questions.

Mr. STEPHENS. Mr. Armour, yesterday you expressed the view that you did not care who owned the stockyards so long as they were properly managed. Some of the witnesses who have testified here, or who have at least expressed themselves in their discussion of this subject before the committee, have stated that if the stockyards were taken over by the carriers, the large packers would have no interest in them, and therefore they would not patronize them; that they would go out into the country and buy their stuff direct from the producer, and thereby reduce competition and injure the producer. Do you think the large packers would be disposed to abandon the purchasing of live stock at the yards should the carriers take them over as provided in this bill?

Mr. ARMOUR. No; I do not.

Mr. STEPHENS. You do not think it would be to their interest to do that?

Mr. ARMOUR. No, sir; I think they would buy at the stockyards, as far as it was possible for them to buy there, and I do not think it would change the present conditions at all.

Mr. STEPHENS. Do you feel that you could buy cattle any cheaper in the country than in the stockyards where they are all concentrated?

Mr. ARMOUR. No; we do not.

Mr. STEPHENS. You made a statement yesterday, Mr. Armour, that struck me as being rather interesting, and theoretically as being sound. You stated that Armour & Co. are not interested in the price of cattle so long as their price is not so low as to stop production nor so high as to stop consumption. Is it your view that meat prices being too high, consumption falls off?

Mr. ARMOUR. Yes, sir; most decidedly.

Mr. STEPHENS. And as the price of meat goes up, proportionately, consumption falls off?

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. Then it is your view that the consumer, in a measure, can protect himself against high prices of beef?

Mr. ARMOUR. Not entirely; no.

Mr. STEPHENS. I mean in a measure. Of course as long as he eats meat and is willing to pay the price—

Mr. ARMOUR (interposing). He naturally would try to find something else to eat that was more reasonable, but he could not entirely protect himself, because he would probably eat some meat.

Mr. STEPHENS. In a measure, however, he has some relief.

Mr. ARMOUR. Naturally; yes.

Mr. STEPHENS. He can live without meat?

Mr. ARMOUR. Yes.

Mr. STEPHENS. And, therefore, if your prices become too extortionate you find the consumption falls off?

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. Your product is largely made in volume, and the larger the volume the greater your profits. Of course I do not mean the percentage of profit.

Mr. ARMOUR. I beg your pardon.

Mr. STEPHENS. The larger the volume of your product, your overhead being comparatively the same, the larger your profit?

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. Therefore you are interested in having a large volume?

Mr. ARMOUR. Yes, sir; and we are also interested in having a reasonable price. It is very much more to our interest to have a reasonable price than to have a very low price or a very high price.

Mr. MAYER. Of the live stock.

Mr. ARMOUR. Yes.

Mr. STEPHENS. You stated your attitude was a good deal like that of a porter at the station. You stand between the producer and the consumer.

Mr. ARMOUR. Unfortunately; yes, sir.

Mr. STEPHENS. You handle the product, the larger volume of it, perhaps some 60 or 70 per cent of all the meat animals?

Mr. ARMOUR. You are speaking about Armour & Co. or the five packers?

Mr. STEPHENS. I mean the five packers.

Mr. ARMOUR. I think about 40 per cent.

Mr. STEPHENS. I think there has been some testimony here that it was as high as 70 per cent; but, be that as it may——

Mr. ARMOUR (interposing). I would not think that was so, however——

Mr. STEPHENS. Be that as it may, you are compelled, of course, to market your perishable stuff and you are dependent upon the people buying it, and they have some protection against any extortionate price that might be placed upon your meat, because they can quit eating it.

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. Now, what about the producer, the man at the other end of the line. What relief has the producer of the meat animals when he comes to the market against too low a price?

Mr. ARMOUR. He has not hardly any. He has to take the market, whatever that is.

Mr. STEPHENS. He has to take the market just as it is, and that market bears absolutely no relationship to the cost of his product.

Mr. ARMOUR. Well, I do not suppose it would at certain times, possibly, but I would think it would on an average.

Mr. STEPHENS. When you buy fat steers, Mr. Armour, you never——

Mr. ARMOUR (interposing). We would not buy them at all if we could not sell them.

Mr. STEPHENS. You buy them according to what you have to bid for them on the spot, and that price is not based on what the farmer paid for the cattle or the cost of the feed that he gave them.

Mr. ARMOUR. No; I think not.

Mr. STEPHENS. There is no relation whatever.

Mr. ARMOUR. But his position probably is about the same as the position of the packers. If you will allow me, I would like to explain that. We buy live animals; we do not know what we are going to get for them. I mean when they are put into beef and shipped on to market our position may be somewhat analogous to the live-cattle man. When we buy cattle on the market we have to take what we can get for them when they go east. If the price is high, as you said before, the consumption falls off, and very often we have to take a loss on them, and our position might be the same as the live-cattle man's in a way. Do I make myself clear to you?

Mr. STEPHENS. I understand that.

Mr. ARMOUR. Not that I am trying to compare the two.

Mr. STEPHENS. I understand your position, Mr. Armour. The producer of the cattle, however, when he loads a train of cattle and sends them into the yards at Chicago, bids goodbye to them; he has no opportunity from a practical standpoint to better himself in any way, shape, or form. I think you have made that statement.

Mr. ARMOUR. That is true, in a way, except he knows generally what the market is. He knows what the market was last week, and he has a right to suppose that the market will be somewhere around that.

Mr. STEPHENS. You understand, though, that when his cattle are fat, they have to go to market. He can not keep them.

Mr. ARMOUR. That is true.

Mr. STEPHENS. He has to sell them.

Mr. ARMOUR. Yes.

Mr. STEPHENS. Now, I have propounded this question to several witnesses, and none of them has had any solution for it; but perhaps you have. You are perfectly aware that cattle were produced at a loss before the war, and the herds were constantly decreasing. Now, is there any way at all that the price of this fat stuff which is produced can be sold at a price that will bear a relationship to the cost of the product? You are interested in having these cattle produced.

Mr. ARMOUR. Most decidedly.

Mr. STEPHENS. In large numbers.

Mr. ARMOUR. And we are very much interested in having the man who grows the cattle and raises the cattle make a profit on them. That is to our interest. That is a selfish interest which we might have.

Mr. STEPHENS. Do you not think that you, who are engaged in this business, for your own interest as well as that of the producer, ought to try to find some way where half of the people who supply you with meat on an average will not go bankrupt in doing so?

Mr. ARMOUR. We would welcome very heartily any arrangement or any method that can be undertaken that would accomplish those results. I will say, for your information, that at present, for instance, shipments of live stock are more or less regulated; and they are regulated by a man named Brown—perhaps you know him—Everett Brown. I think he has testified here. He is a commission man in

Chicago. The great difficulty has always been to find some way that would do away with the gluts in the market. You understand what I mean by that?

Mr. STEPHENS. Yes; I understand.

Mr. ARMOUR. They have too many cattle one day and not enough another day. Now, that can only be done by having somebody in authority who would be in touch with the people who ship their live stock and would undertake to know, in some way, or to regulate in some way, the shipments, so that there would not be a big supply on one day and a small supply on another day. The packers are just as much interested in that as the live-stock men. That has never been done until recently; and that could not have been done, as I understand it, except for the present conditions. I do not know whether that would be regulated or not, but it never has been done, because they would always be afraid of doing something that would be construed as against the law. If some arrangement could be made so that there was a central man or a committee who would work between the packers and the live-stock producers and regulate the shipments—as I have said, it is not of any particular interest to us; in fact, it is very much against our interests to buy cattle below what they cost. We naturally have to pay for cattle whatever the market is. We do not make the market. We buy cattle on what the market is. Now, if there is a big glut of cattle or hogs on any one day or on two days, naturally the man who ships the hogs and cattle is the man who suffers, and the packer does not make any gain. Regardless of what anybody says, any little gain they might make by buying one day at a little less does not begin to offset the harm that is done. If there could be found some way of regulating the supply—do I make myself clear to you?

Mr. STEPHENS. Yes: I understand it thoroughly, and I know the situation. Now, Mr. Armour, it has been alleged by one of the big packers, I think Swift & Co., in one of their pamphlets which they put out, that the price of live stock on Mondays and Wednesdays in the Chicago market is higher, and they quote some Government bulletin issued by the Agricultural Department as their authority; that the price is higher on Mondays and Wednesdays than on any other days in the week, and those are the days of the gluts: is that true?

Mr. ARMOUR. Well, I could not answer that question. That would depend entirely on circumstances. You see a glut on the market depends entirely on what the demand is. The glut on one day might be a very bad glut, and that same amount of cattle that arrived there that day might arrive on another day and might not be considered a glut. Some time ago, for your information, the packers were very desirous of trying to do away with that glut, and having what we call a five-day market; that is, Monday, Tuesday, Wednesday, Thursday, and Friday, instead of having lots of cattle and hogs on Mondays and lots of cattle and hogs on Wednesday, and then nothing Thursday and Friday, to speak of; and they got together with the live-stock men, or the commission men, I mean; that is, they had a meeting to see if there could not be some method put into force so that people would not ship all their cattle to arrive in two days, and have an even market. Now, that did not work very well, because nobody really had much authority, and every fellow would do just

as you would do or I would do. They would think, "Well, if the other fellow is not going to ship his cattle on Monday, there will be a scarcity of cattle on Monday and I will get ahead of the other fellow, and I will ship to have them arrive on Monday." Now, that was natural and that was human nature. Now, Mr. Brown has authority; I do not know where he gets his authority, I suppose from the Food Administration, and he has given orders to the railroads, which they will accept, permitting just so many cattle to be loaded and so many hogs to be loaded. Now, any order that was given before that nobody paid any attention to. Perhaps you know all this; I do not know.

Mr. STEPHENS. Yes; I understand it.

Mr. ARMOUR. If you know it, then it is not necessary for me to explain it.

Mr. PARKER of New Jersey. I do not know about it, and would like to have you explain it.

Mr. STEPHENS. It is called the zone system.

Mr. ARMOUR. Yes; and that has worked fairly well, and that is only put in effect when there seems to have been a great glut, or there has been a great glut, and they saw the necessity of doing it. Mr. Brown—Mr. Everett Brown, who, I think, has appeared before you; I do not know—has had authority to give the railroads orders not to accept cars, not to accept shipments, and in a measure that has done some good, but it is only temporary. As I say, if something like that could be brought about, it would not only be to the interest of the packer, but to the interest of the producer, and you can believe me when I say that anything that is to be to the interest of the producer is naturally to the interest of the packer.

Mr. STEPHENS. Why is it, Mr. Armour, that the producers—and I live out among them—have the general impression that there is no desirable market on any other days than Mondays and Wednesdays in Chicago.

Mr. ARMOUR. In a way that is—

Mr. STEPHENS (interposing). In other words, they think they are the best days to ship.

Mr. ARMOUR. Well, I will tell you one reason for that. There are a great many different kinds of cattle come in on Mondays and Wednesdays. Now, we do not buy all of one kind of cattle. We have to buy various kinds. For instance, take a town like Baltimore. They do not take good cattle. They take mostly poor cattle. Of course, I do not mean to say that they do not take some good cattle, but we have to buy different kinds, and we get a better assortment on Mondays and Wednesdays than we do on other days because they ship more cattle on those days. Now, if they divide that up, it would be much to our interest because we very frequently have to buy cattle on Mondays and Wednesday and carry them three or four days, or four or five days.

Mr. STEPHENS. Do you pay more or less for them on those days?

Mr. ARMOUR. I do not know. That would depend on the market. I could not say whether we paid more or less, because that would depend. One week we might pay more and another week we might pay less, because there are so many things that enter into it. I have seen where they have had very heavy receipts on Monday and the cattle

market would be high, and also when they had very light receipts, the cattle market would be lower. So you see, as a matter of fact—

Mr. STEPHENS (interposing). Why is that so?

Mr. ARMOUR. Our man was here yesterday—our general superintendent for this district, who lives in Philadelphia. He has a certain territory and has about 15 or 20 houses that he looks after. He is like a general superintendent for a railroad, and I asked him how business was, and he said, "It is rotten." I said, "Why?" He said, "It is this weather; nobody is eating any beef." Now, that answers your question; at least, I am trying to answer your question.

Mr. STEPHENS. I can see that.

Mr. ARMOUR. So that really the receipts on a market do not always spell a higher or lower market.

Mr. STEPHENS. Then, are we to gather from that, Mr. Armour, that the consumer fixes the price of the product to the producer?

Mr. ARMOUR. To a great extent.

Mr. STEPHENS. No matter how many cattle the producer brings into the yard or how few?

Mr. ARMOUR. We do just what you would do or anybody else would do if they were in our business. We buy our cattle and our sheep and our hogs about on a parity with about how we have to sell them. Now, we can not always do that. Sometimes there might be a heavy run of cattle and the market might be higher, if the market is very good down East. If the market is very good down East everybody wants to buy cattle, because they think there will be a short supply or else a big supply, and a big demand. There might be a convention there. There are a hundred and one reasons why the market might be better down East. Still, on a like run of cattle, the market might be very, very bad, and our buyers naturally know that, they know what the market is, because it is their business to know, and they have to buy cattle according to the way they can sell them. Do I make myself clear to you?

Mr. STEPHENS. I understand. I am just thinking, however, that it seems to be a rather uneconomical system that permits a foggy spell of weather or a convention here and there to rob the man who produces the meat of 50 cents or \$1 a hundred on his stuff. In the main, about the same amount of meat is consumed from week to week in the United States. There ought to be some sort of systematic and orderly method whereby this stuff could be produced and sold all along the line at a reasonable and fair margin to everybody without destroying the industry by permitting local conditions here and there to affect the prices. I was trying to bring out these points to see whether or not there was any solution of that difficulty which you have in mind. You apparently have none.

Mr. ARMOUR. Well, I do not know. I would not say that I did not have one. I do not know that I have one, except that I will say to you that all the packers have been so afraid of being construed as working together—and I will tell you that if there was a little more liberal thought, or a little more liberality in the treatment of the packers—and I am not finding any fault about the treatment, except that the minute the packers talk to one another or the minute they talk to anybody everybody thinks there is a combination. It would be a hundred times better for the community—for the con-

sumer as well as the seller—if there could be some allowance made so that the packer and the producer and the shipper could come together in some way and regulate those shipments. We have never been able to regulate those shipments, because the minute we try to arrange them they say there is a combination. Now, I will tell you that works a hardship on the producer as well as on the consumer. Do you understand me?

Mr. STEPHENS. I understand you. I think there should be some sort of agreement among producers, packers, and consumers that would protect the producer, the consumer, and the distributor. I think there ought to be an orderly method for the handling of this product.

Mr. ARMOUR. Any combination that was made that was not a good one for the producer and the consumer would be a bad one for the packer, and it would not last. We realize that, and we do not want any combination, particularly, except that we would like to be able to do something; and I do not know now what we would want to do, but we would like to be able to do something that would create harmony and would not condemn the packer and have people think the packer was getting a benefit from any ills the producer goes through with, because we do not. We are simply a middleman; and if we can pay prices that will satisfy the producer and find some method so that he will not get a low price Monday or Tuesday and then a high price at the end of the week or next week, that will satisfy us, and we will be delighted with it.

Mr. STEPHENS. I will have to leave that line of question, Mr. Armour, because I want to clear up one or two other points that have been raised in regard to your report. There have been a good many conflicting reports in regard to your annual statement, and I would like to ask you this question. I think you stated your profits were \$15,000,000 last year.

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. That is, Armour & Co.

Mr. ARMOUR. Yes, sir.

Mr. STEPHENS. As I understand it, there is excluded from your earnings \$6,000,000, or you have set aside \$6,800,000 for income and excess-profits taxes.

Mr. ARMOUR. Yes, sir; that is what we will probably pay.

Mr. STEPHENS. Do you think that is a proper thing to do in making your report?

Mr. ARMOUR. We think so. That is all the stockholders get. It is like any other expense.

Mr. STEPHENS. Then, you are not paying the income tax at all.

Mr. ARMOUR. Who is?

Mr. STEPHENS. You are passing that on to the consumer. If you do not include it in your earnings, you are passing it on to the consumer, because you are not paying it out of earnings.

Mr. ARMOUR. Of course that may be so, too; but our statement shows what money is applicable to the stockholders of Armour & Co., and we consider that an expense the same as anything else. You have got to pay it out, and whether we pay it to the Government or somebody else, we have got to make that money in order to pay it. If we had not made the money, we would not have been able to pay it.

Mr. STEPHENS. Of course that was not the purpose of the income tax.

Mr. ARMOUR. I beg your pardon?

Mr. STEPHENS. That was not the purpose of the income tax or the excess-profits tax.

Mr. ARMOUR. I do not know about the purpose of the income-tax law, but no income-tax law in this country or in any other country can take all of a man's profits and have the country healthy.

Mr. STEPHENS. No; I do not think so either.

Mr. ARMOUR. Because that takes away any incentive for doing business.

Mr. STEPHENS. What were the earnings of your South American business, Mr. Armour, last year; that is, 1917-18?

Mr. ARMOUR. I do not know. I think they were about \$10,000,000. I could not answer the question definitely, because I do not think we have the actual figures.

Mr. STEPHENS. Were those accounts with the South American enterprise divorced from the books of Armour & Co. at the end of the fiscal year 1917?

Mr. ARMOUR. Yes, sir; that is a separate company.

Mr. STEPHENS. What was the object of separating the South American business from the business here?

Mr. ARMOUR. That business down there started on a small scale and has developed into quite a large scale, and it is a business entirely separate from our business here. It is just the same reason that we have all our foreign companies organized under the laws of the country in which they are doing business. We think it is policy to do so. For instance, take our Italian company; our company in Italy is under the laws of Italy. Our French company is doing business under the laws of France. Our Cuban business doing business under the laws of Cuba. That is a matter of policy, the same as when any man comes to America, they want him to do business under the laws of America.

Mr. STEPHENS. I asked you that question. Mr. Armour, because it has been alleged that you separated them for the purpose of keeping the South American government from knowing of your profits here, which would be disclosed by your reports that you have to make in this country.

Mr. ARMOUR. No; they get that anyway. Our statement is public and everybody gets our statement—in South America or in England, or anywhere else. Our statement is open to everybody; in fact, we have until recently been very proud of it, but there seems to be so much criticism about it I do not know whether we feel as proud of it as we used to feel.

Mr. STEPHENS. Can you accurately divide the business of Armour & Co. into the three classes as provided by the Food Administration for profit regulation?

Mr. ARMOUR. Oh, yes; yes, sir.

Mr. STEPHENS. Can you accurately divide it into the two classes proposed by the Food Administration, namely, the edible and non-edible classes?

Mr. ARMOUR. Yes, sir; would you like to have me tell you about that or is "yes" a sufficient answer?

Mr. STEPHENS. I just want to know whether or not you can do it or whether it can be done, because there does not seem to be a very clear line of demarcation between some of these products.

Mr. ARMOUR. Yes; there is a very clear line.

Mr. STEPHENS. There is?

Mr. ARMOUR. A very clear line. There have been a good many things said to the effect that we did not know what we were doing in one department or what we were doing in another; that we tried to fool people. I will tell you that it is impossible to try to fool anybody else unless we try to fool ourselves, and the fellow is the biggest fool in the world who tries to fool himself, and our books are open to anybody and everybody, and it is to our interests to know, regardless of what the Federal Trade Commission say or anybody else. When we try to run our business it is so big that if we tried to fool an outsider we would fool ourselves, because it is so big that it would get away from us. Do you understand me?

Mr. STEPHENS. Yes; and I can see how that would be true, too.

Mr. ARMOUR. And all this talk about the packers—I am talking about Armour & Co.—having different transfer prices to make one department show up better than another is the talk of a child; that is all; it is the talk of a man who does not know anything about business, because we can not do it. You might do it in a little bit of a department and carry something on a memorandum and know what you were doing, but you can not do it in a big business like ours. I do not keep the books. We hire a man to keep the books, and it is his business to do that, and he has got to keep them, and it is to our interest to know whether the departmental charges from one department to another are the market prices. If we did not do that, I would have one department man who was running a particular department come to me and say to me, "Mr. Armour, how much profit am I making in my department"? And I am not smart enough to know. We have many departments and I have got to know. I say I have got to know, that is, the executives of Armour & Co. have got to know, whether the man who runs a certain department—the leather department, or any other department—is running it intelligently. If we give him a lot of goods below the market he shows a big profit at the end of the year and naturally that man thinks he is a pretty smart fellow, and we naturally think he is a pretty smart fellow, and he might be the biggest fool on earth. Of course, I do not understand these insinuations that have been given out by different people that Armour and the rest of them keep their books so that they can make one department show big and another department show small. This is silly, because our total profits—even if that were so, it might make one department show big and another show small, but our total profit would be just the same, whether there were department overcharges or undercharges.

Mr. STEPHENS. How would you classify pepsin. Would you classify that as an edible or a nonedible?

Mr. ARMOUR. That is edible.

Mr. STEPHENS. How about glue?

Mr. ARMOUR. Anything that does not go through one's mouth is nonedible.

Mr. STEPHENS. Well, that has tallow products in it?

Mr. ARMOUR. Yes; but anything you do not eat is a nonedible.

Mr. STEPHENS. How would you classify live or uncut animals in your inventory or in your classification?

Mr. ARMOUR. Of course, you do not eat live animals, but you eat the products from them. You would not class live animals—I do not know how you would class live animals.

Mr. STEPHENS. How would you classify cattle, hogs, and sheep?

Mr. ARMOUR. How would you classify live animals?

Mr. STEPHENS. Yes.

Mr. ARMOUR. You would classify them as live stock.

Mr. STEPHENS. Do you think the losses which Armour & Co. invariably exhibit in the dressed beef department are real losses?

Mr. ARMOUR. They are; but there might be no losses if you include the by-products. When I say that, I mean that our fresh beef might show a loss in dollars and still the beef might show a profit when you add to that the tallow and the oleo oil, and the things that come right directly from the fresh beef.

Mr. STEPHENS. Why do you think it impossible for a packer to devise a cost system to divide his profits?

Mr. ARMOUR. I do not think it is impossible.

Mr. STEPHENS. Do you have a cost system showing exactly what your meat costs?

Mr. ARMOUR. We think so; yes, sir.

Mr. STEPHENS. I thought you stated—

Mr. ARMOUR (interposing). That is, if I understand your question.

Mr. STEPHENS. I thought the statement had been made by some of the gentlemen in the packing business that you could not separate some of these products and that you could not tell exactly what the cost of your meat products was because it was so involved with other products.

Mr. ARMOUR. I never made that statement.

Mr. STEPHENS. I know you did not, but I got that impression from somebody.

Mr. ARMOUR. You have got to treat a statement like that very broadly.

Mr. STEPHENS. It comes in, in connection with this statement that you shift your accounts so as not to show your profits. It has been alleged that you only make a very small margin on your meat?

Mr. ARMOUR. That is true.

Mr. STEPHENS. But you make it up on other products, so the general impression has grown up—and this is the point I am trying to clear up—that you transfer profits from one department to another and cover them up so that the public can not tell?

Mr. ARMOUR. You see, that impression is not a fair one.

Mr. STEPHENS. That is what I wanted to bring out.

Mr. ARMOUR. Because, after all is said and done, Armour & Co.'s statement—which you have, or which you had here yesterday—shows our total business in its entirety. It does not leave out anything at all. Now, in that total business, including vegetables and including everything we handle, we made less than 2 cents on every dollar last year. The transfer prices are all O. K'd. Our transfer prices are supposed to be the market prices. We make the transfer prices at

what we think are the market prices, and we may have a profit on it next week or a loss, depending on how the market goes, but the real answer to your question is that I will say that it is just as much to our interest as it is to the interest of anybody else to try and know ourselves what our different departments make. Now, we have no desire, and I would not have brought this up, but there seems to be an impression going around that the packers are trying to fool somebody when it is only fools who try to fool somebody else; that is all.

Mr. STEPHENS. Now, Mr. Armour—

Mr. ARMOUR (interposing). Excuse me for enlarging on this, but it is much to our interest to know what our departments make, and we are just as honest and try to be as intelligent as we can in knowing what our departments make, because our business is so large and we have all kinds of people working for us. We hope we have good people, and we do have good people, but it is only natural that a man who runs a department would want to get his stuff as cheap as he could from the other departments, and the fellow who runs the other department wants to get just as big a price as he can when he sells something from his department to the other department, and it is to our interest to have that, because the bigger price he gets the more endeavor the man who pays the big price for it is going to make in order to make his department earn money. Now, we have departments that do not make money, naturally, and we always try to have those departments do a little better next year than they did last year in the hope that perhaps we can overcome any loss there may be in that department, and that is up to the man who runs the department.

Mr. STEPHENS. When you make up your inventories, how do you fix the value of the meat you have? Do you estimate it?

Mr. ARMOUR. Yes; it is estimated; and it is estimated on the market, and it is estimated by agreement with the people who check our books. Mr. Veeder, is it the Federal Trade Commission that checks our books?

Mr. VEEDER. Yes; the Federal Trade Commission checks the books for the Food Administration.

Mr. STEPHENS. I think that is all, Mr. Chairman.

The CHAIRMAN. I believe Mr. Hamilton had not quite finished his line of inquiry.

Mr. RAYBURN. Mr. Chairman, I just want to ask one question right here because I may have to leave pretty soon. Mr. Armour, do you know of any system in the world under which the producer can get an exceedingly high price for his product and the consumer get what he consumes at an exceedingly low price?

Mr. ARMOUR. No, sir; I do not. I do not know of any such condition, and that is an impossible condition.

Mr. RAYBURN. Trying to do that has caused a good deal of trouble in this country.

Mr. ARMOUR. Mr. Mayer suggests, and it is a very good suggestion, that I inform the people here that our books are not only gone over by the Federal Trade and the Food Commissions, but they are also gone over by the income-tax people and are checked. I think

you probably know that, but that is an additional check which is put on our books.

Mr. HAMILTON. Mr. Armour, it struck me that you stated a rather profound psychological proposition a while ago in response to Mr. Stephens's question when you said that it was impossible for a man to fool other people unless he first fooled himself. We have known people who are laboring under the impression that they are indispensable to the universe from moral and other standpoints, and were quite mistaken about it. I wanted to call your attention to this stabilizing of the markets, on which you dwelt yesterday; first, in relation to the peddler or route car. What is the effect of the peddler or route car in the stabilizing of local markets?

Mr. ARMOUR. The route car is of great advantage to the consumer. It enables the consumer or it enables the town which is not large enough to have a branch house or to use a full carload of material to get practically the same service that a larger town would get from a branch house that would be either in that town or in the immediate vicinity of that town.

Mr. HAMILTON. It is such a benefit, I take it, to the local raisers of stock that the local butcher can pay the local raiser of stock what he can get the local raiser of stock to take for the stock that he buys around in the country around the town, and at the same time he can charge and does charge the local consumer of meat Armour's prices for meat. He does that, does he not?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. Whereas he could afford to sell the meat cheaper that he does sell it, and could afford to pay more for the stock on the hoof which he buys than he does pay.

Mr. ARMOUR. No, sir; he could not.

Mr. HAMILTON. He bargains with the local raiser of a steer here and there, and the local raiser of a steer here and there takes the local butcher's price because he can not ship in carload lots, and the local butcher has that advantage.

Mr. ARMOUR. You are talking about live cattle?

Mr. HAMILTON. Yes; live cattle.

Mr. ARMOUR. No.

Mr. HAMILTON. And I am talking about the output of a butcher shop.

Mr. ARMOUR. No, sir; you are entirely wrong, if you will allow me to say so.

Mr. HAMILTON. I think I am not. I know something about it.

Mr. ARMOUR. Perhaps you think you do.

Mr. HAMILTON. That is another case of psychology.

Mr. ARMOUR. And I will not question that, but I may not understand the question. As I understand it, your question is this: That a local killer can go out in the country and buy some steers and kill them and can sell cheaper than the man who is a butcher and goes to Chicago and buys a carcass of beef from the packer and ships it in there?

Mr. HAMILTON. Oh, no.

Mr. ARMOUR. Then I did not understand your question; I beg your pardon.

Mr. HAMILTON. No; let us state it in this way.

Mr. ARMOUR. It was a pretty long one, and I did not understand it.

Mr. HAMILTON. All right; we will shorten it up. Now, along comes your peddler car and the local butcher buys beef out of your peddler car.

Mr. ARMOUR. Yes.

Mr. HAMILTON. And he charges his consumer a price that will enable him to make a profit over the price you have charged him for beef out of your peddler car.

Mr. ARMOUR. Naturally; yes, sir.

Mr. HAMILTON. That is right?

Mr. ARMOUR. Of course.

Mr. HAMILTON. So the consumer pays Armour's prices and that stabilizes the prices throughout the country, does it not?

Mr. ARMOUR. If you call those prices Armour prices, yes; I presume it does.

Mr. HAMILTON. Yes; of course.

Mr. ARMOUR. Of course the butcher has to make a profit over the price he pays Armour or the packers.

Mr. HAMILTON. Yes; he has to pay for a telephone and clerk hire and rent and all those things.

Mr. ARMOUR. Yes; of course he has to make a living, naturally.

Mr. HAMILTON. And he has to make a profit?

Mr. ARMOUR. Yes; like everybody else.

Mr. HAMILTON. And he has to make a profit on the steak he sells.

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. And therefore you are stabilizing the price to that extent?

Mr. ARMOUR. I would think so; yes.

Mr. HAMILTON. Now, when the farmer has a steer to sell, the butcher goes out and says, "My dear friend, that steer is not in very good condition," and the farmer does not know anything about shipping cattle to the market and the butcher buys that steer as low as he can, and he can buy low, and he puts it on the block and sells that steer for the same price he has been paying—that is, the same price in proportion that he has been getting for Armour's meat out of the peddler car.

Mr. ARMOUR. I would think he would; he would, if he knew his business.

Mr. HAMILTON. That is the practice?

Mr. ARMOUR. I would think so; yes. May I ask—

Mr. HAMILTON. Along the line of stabilizing—I beg your pardon; did I interrupt you?

Mr. ARMOUR. May I ask what you mean by that? I mean what is the inference from that?

Mr. HAMILTON. I mean that it does seem to the average man, and I am speaking for the average man who does not understand the intricacies of the meat-packing business—

Mr. ARMOUR. Yes.

Mr. HAMILTON (continuings). That by the ramifications of your business, by your peddler car, your route car, you do reach remote sections of the country and you fix a scale of prices which are followed quite universally, and taking the country by and large, in that respect, it is a stabilizing process, and the law of supply and demand does not operate.

Mr. ARMOUR. Well, that might be so in isolated cases. You are bringing the point up that the farmer has to sell his cow or his steer at a lower price than he should sell it. Is that what you mean?

Mr. HAMILTON. He has to take what the butcher will give him.

Mr. ARMOUR. It depends entirely on the farmer, naturally, like anything else, but I would suppose that the would; that is, the ordinary farmer.

Mr. HAMILTON. He has not a carload to sell.

Mr. ARMOUR. Although I have not seen any farmers nowadays who are not pretty good traders. In isolated cases you are right; yes.

Mr. HAMILTON. You probably have been doing business directly with the farmers and you have been doing business with exceptionally keen men.

Mr. ARMOUR. I am not taking any exception to what you say, Mr. Hamilton.

Mr. HAMILTON. Now, Mr. Armour, the Food Administration, during the war, undertook to stabilize the price of meat, did they not?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. I was mistaken yesterday, it was Mr. Fisher's testimony that developed the fact that the packers had \$1 a year representatives on the Food Administration in connection with the stabilizing of meat prices.

Mr. ARMOUR. That is not correct.

Mr. HAMILTON. Mr. Fisher is wrong about that then if he so stated? I will clear that up later on.

Mr. ARMOUR. I can only refer to Armour & Co.

Mr. HAMILTON. Yes.

Mr. ARMOUR. And I think that applies to everybody.

Mr. HAMILTON. You do not know as to the other packers?

Mr. ARMOUR. I would say from what I know generally, and that is just general knowledge which a man would have of the industry he is in, that that would apply to every large packer there was; yes.

Mr. HAMILTON. But you do not know.

Mr. ARMOUR. I do not mean that they might not have some clerk or something like that.

Mr. HAMILTON. It took a man of some considerable capacity to formulate this national system.

Mr. ARMOUR. No; there was not anybody from our company.

Mr. HAMILTON. Do you speak for the other packers besides Armour?

Mr. ARMOUR. No; I speak positively for Armour.

Mr. HAMILTON. And not as to the other packers?

Mr. ARMOUR. And generally as to the others.

Mr. HAMILTON. But not positively as to the others?

Mr. ARMOUR. No; I will let them speak for themselves.

Mr. HAMILTON. Yes.

Mr. ARMOUR. But I do speak positively for Armour & Co.

Mr. HAMILTON. I beg your pardon?

Mr. ARMOUR. I say I do speak positively for Armour & Co. You are speaking now about the Food Administration.

Mr. HAMILTON. Yes.

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. And also speaking generally about the general subject of stabilizing.

Mr. ARMOUR. Yes.

Mr. HAMILTON. Now, further in the matter of stabilizing, during the last summer I have understood that the packers, not anticipating a sudden termination of the war, have loaded up with vast quantities of salted meats and that the salted meats were not received with any special favor in England; and owing to the sudden ending of the war the packers, unless they can dispose of this vast stock of salted meats, stand to lose; is that true?

Mr. ARMOUR. You do not state it exactly right.

Mr. HAMILTON. All right; you state it right.

Mr. ARMOUR. The packers do not load up with anything beyond what they buy live stock for. You used the words "load up," to which I want to take exception.

Mr. HAMILTON. All right; you correct me.

Mr. ARMOUR. The packers all have reasonably large stocks, because the receipts of hogs—

Mr. HAMILTON (interposing). What are the other means of curing meat?

Mr. ARMOUR. Dried salt meats.

Mr. HAMILTON. There is salted meat, and what is the other process?

Mr. ARMOUR. Sweet pickled meats.

Mr. HAMILTON. What are they?

Mr. ARMOUR. Hams, bacon, and different things.

Mr. HAMILTON. And you use salt, in one instance, and what in the other?

Mr. ARMOUR. We use borax for England, I believe. They used to use that; I do not know whether they do yet or not. We do not use it in some countries. We do not use it in this country. They won't allow the use of borax here, but I think they do in England.

Mr. HAMILTON. If you want to develop your answer to that question, Mr. Armour, proceed.

Mr. ARMOUR. That is not quite true. While it is true that all the packers have big stocks of meat, we have big stocks of meat because we always have big stocks of meat at this time of the year.

Mr. HAMILTON. Is it true that the English people are not satisfied with this meat?

Mr. ARMOUR. Not that I know of. They have not bought any meat lately, but that, as I understand, is because they have a pretty fair stock of meat. I do not believe it is true that they are not going to buy meat.

Mr. HAMILTON. I noticed in one of the morning papers that a gentleman named, I believe, Taliaferro, testified before a Senate committee.

Mr. ESCH. He also testified before this committee.

Mr. HAMILTON. Yes; this was his testimony given yesterday.

Mr. ARMOUR. Listen, I do not want you to have any idea that the packers have not got a big supply of meat, because they have. They have a big supply, but the ending of the war—

Mr. HAMILTON. And if the English—

Mr. ARMOUR (continuing). Or the going on of the war would not have changed that a bit.

Mr. MONTAGUE. Let him complete his answer.

Mr. HAMILTON. Certainly.

Mr. MONTAGUE. I did not catch it at all.

Mr. HAMILTON. I ought not to have interposed. Go on, Mr. Armour.

Mr. ARMOUR. You want to know now, about what?

Mr. MONTAGUE. Something was said about having a big supply and you said you did not want him to understand something, and then you were interrupted.

Mr. ARMOUR. This time of year the packers always have a big supply of meat. I think the packers have a bigger supply now than they ordinarily have in the ordinary years.

Mr. HAMILTON. Is that salted meat?

Mr. ARMOUR. Yes; of course, salted meat, because we do not have a big supply of beef. You have to have a big supply of salted meat, because the packers get the big receipts of hogs in the winter, and they have to buy the hogs when they come, and they have to accumulate the meat during the winter months to carry them through the rest of the months. They have got a big supply of meats, but they have not got any bigger or any smaller supply of meats than they would have had if the war had continued or stopped, except to this extent, that probably the consumption of meat in certain parts of Europe where the troops were and in England would have continued; that is, the buying of meats, they have naturally shut down on now to some extent. That is a natural happening.

Mr. HAMILTON. You mean to say, then, Mr. Armour, that they did not lay in a larger supply of salted meat on account of war conditions than they would do in normal times?

Mr. ARMOUR. I can just answer that best by saying that the packers buy all of the hogs that come. The quantity, as you imagine, will depend on the receipts of hogs. In this time of year we would naturally buy all the hogs we can, as we are doing now, and the receipts of hogs are quite large. You asked me on yesterday, which I will get to a minute, because I have the answer right here; but I will say that all of the packers have a big supply, because the receipts of hogs this year are larger than last year, and war or no war the packers would have bought the hogs, and I understand all the packers have a big supply, and naturally a bigger supply than in ordinary times.

Mr. HAMILTON. If the English people should be disinclined to eat these salted meats, you would lose the English market as to those salted meats?

Mr. ARMOUR. Yes; but the English market does not happen to be the only market there is. The English market has got supplies on hand, and they naturally would shut off buying because the war is over, but the English market is only a small part of the foreign market that will want to buy food supplies.

Mr. HAMILTON. But they do not take so kindly to your salted meats?

Mr. ARMOUR. I think they do. They do not take some kinds of meat. The fatback is the side of a hog and they do not go to England. The fatbacks do go to France. So if England does not want the goods we make, the kind of goods that we have, they go to France or to Italy, or to somewhere else. They all take the side

meats, but different kinds of side meats, and still that takes up the hogs.

Mr. HAMILTON. It has been stated that if this \$100,000,000 relief fund should go through the Senate it will enable the packers to dispose of this salted meat supply, for instance, for southeastern Europe. How about that?

Mr. ARMOUR. Now, all there is about that is this: If there is a demand for the meat, no matter what the packers have got, whether that demand comes from France, or Italy, or England, or somewhere else, I say, if there is a demand for meats, the packers' meats will be used up. If there isn't a demand for these meats they will not be sold.

Mr. HAMILTON. If there isn't a demand for meat it will not be sold?

Mr. ARMOUR. No, sir; and if there isn't a demand for the meat the packers may have to take a loss. But personally, I think there will be a demand for meat.

Mr. HAMILTON. All right, let us pass on from that question. How long have you, and when I say you, I mean your company, been doing business in Argentina?

Mr. ARMOUR. Oh, we have had one house over there—as I told you on yesterday, we have two houses, one of which we own entirely ourselves, and we have a half interest in another. Our own house has been doing business, I presume, about three years. Well, it started the year after the war. But as to the other house, it has been doing business for many years.

Mr. HAMILTON. Longer than that?

Mr. ARMOUR. Yes, sir; for some years.

Mr. HAMILTON. I want to get along as rapidly as possible. What other of the five big packers are running packing houses in Argentina?

Mr. ARMOUR. Swift, Morris, and Wilson.

Mr. HAMILTON. That makes four of you altogether?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. You four packing companies practically constitute the market in Argentina for stock on hoof, do you?

Mr. ARMOUR. No. I take it from that question you mean for the whole market, and I answer no.

Mr. HAMILTON. I do not mean the whole thing.

Mr. ARMOUR. Well, I know you do not mean 100 per cent, but I wouldn't say so. We are a large factor there, but there are other companies over there. I do not know just how many, but I would say four or five other companies, or three or four, undoubtedly, and I would say, perhaps five English companies and some South American companies.

Mr. HAMILTON. The duty on fresh meat was taken off in 1913, as I remember, and I want to ask you, did the removal of the duty on meat and the bringing on to the markets of the United States of meat shipped from Argentina make any perceptible difference in the price of meat to the consumer in the United States?

Mr. ARMOUR. No; I do not think it did, because I don't think it was coming long enough, but I think it would have done so had the war not come along and stopped the importation of South American meat.

Mr. HAMILTON. The duty was removed from hides in 1909. Did the removal of the duty from hides make any perceptible difference in the price of hides on the normal market in the United States?

Mr. ARMOUR. I would think probably it would.

Mr. HAMILTON. Did it?

Mr. ARMOUR. I do not know whether it did or not. I think probably it would in the long run. You can't take any one year or one period, but take the long run. I think——

Mr. HAMILTON (interposing). You could not say whether it actually did or not?

Mr. ARMOUR. You say it was in 1909?

Mr. HAMILTON. Yes. You could not say what the effect of it was?

Mr. ARMOUR. Was the date the duty was taken off 1909?

Mr. HAMILTON. Yes.

Mr. ARMOUR. The war started in 1914. That is a period of four years.

Mr. HAMILTON. No; that is a period of five years.

Mr. ARMOUR. Well, I think probably a leather man could answer you more intelligently on that. I do not suppose I could answer it offhand, but I am perfectly willing to find an answer for you. I could not answer it out of my head without looking it up.

Mr. HAMILTON. I simply want your best information, because I think you are willing to give it.

Mr. ARMOUR. Certainly. But I do not believe I could answer that intelligently.

Mr. DEWALT. Mr. Hamilton, may I ask you a question there?

Mr. HAMILTON. I am not on the witness stand, but will consider whether I will answer it or not.

Mr. DEWALT. Well, I won't ask it.

Mr. HAMILTON. I want to get the information from Mr. Armour.

Mr. DEWALT. This may be very interesting as a tariff question, but I don't see what it has to do with this bill.

Mr. HAMILTON. Well, I see it. When you remove the obstruction, as you Democrats would say, then you put upon the market, without restriction, an increased supply, and I am going to follow this up with some other questions—and you Democrats would say when you put upon the market an increased supply prices should be affected by that increased supply, inasmuch as Mr. Armour says the law of supply and demand is eternally in operation.

Mr. DEWALT. That is still more interesting.

Mr. HAMILTON. All right, and I will proceed with it.

Mr. Armour, are you getting a good deal of meat on the hoof from Mexico?

Mr. ARMOUR. I don't think we are getting any at all.

Mr. HAMILTON. I mean, the packers.

Mr. ARMOUR. That is my answer—I don't think any at all.

Mr. HAMILTON. You don't think you get any at all?

Mr. ARMOUR. I do not think since the trouble in Mexico that they get any at all.

Mr. HAMILTON. None?

Mr. ARMOUR. Well, when I say that, I am not talking about any very small numbers, but I mean none that amounts to anything.

Mr. HAMILTON. Let us go back to prewar conditions. There are a great many grazing ranches in Mexico?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. There were before the war and they still exist?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. A large number of cattle were brought upon the American markets from Mexico?

Mr. ARMOUR. I would not say a very large amount; no.

Mr. HAMILTON. Not in comparison with what you handle, but a pretty large proportion in comparison with the number grazed.

Mr. ARMOUR. I do not know about that, but you can find out just the number. I wouldn't think there was a great number. Some cattle come up from Mexico, for instance, to Fort Worth and down in Texas.

Mr. HAMILTON. Well, they are raising cattle, and were raising them for money, because it is a splendid grazing country.

Mr. ARMOUR. Oh, I think that is true, but I don't think since our trouble with Mexico any appreciable number of cattle have come out of there along as time went by.

Mr. HAMILTON. I must hurry along. Mr. Armour, in a very interesting way you told the committee on yesterday about opening up southeastern stock-growing advantages by the establishment of a packing house at Jacksonville, Fla., and that placed upon the market by your means of distribution a large amount of meat food, did it not?

Mr. ARMOUR. Yes; in Florida.

Mr. HAMILTON. Well, in the southeastern section the country?

Mr. ARMOUR. Yes, sir.

Mr. HAMILTON. And in all that section of the country?

Mr. ARMOUR. Yes, sir.

Mr. PARKER of New Jersey. Let the witness finish his answers every time.

Mr. HAMILTON. He did finish, as I thought. Go ahead if you did not, Mr. Armour.

Mr. PARKER of New Jersey. That meat in Jacksonville is consumed either in the State of Florida or in the States right adjacent to Florida.

Mr. HAMILTON. It has also caused a production of cattle there, hasn't it?

Mr. ARMOUR. Yes, sir; it is also produced in Florida. Formerly there was no live stock to any amount produced in Florida, nor in the South, but now they have gone into the raising of live stock down there. It is an entirely new event for them. Do you want the history of the Jacksonville work?

Mr. HAMILTON. No.

Mr. ARMOUR. All right, then, I am through.

Mr. HAMILTON. I am not going into the details of your operations.

Mr. ARMOUR. I am perfectly willing to tell you if you want the information.

Mr. HAMILTON. I am trying to get the large effect out of this matter one way or the other. If I am wrong I want to be corrected, and if I am right I want to be confirmed. Have you finished your answer as to that other matter?

Mr. ARMOUR. Yes, sir; I think so.

Mr. HAMILTON. Did this increase in the available supply, as you might say by encouragement to stock raisers in the Southeast, make

any appreciable difference in the market price of meat to the consumer?

Mr. ARMOUR. I wouldn't think it would; not yet.

Mr. HAMILTON. It has not?

Mr. ARMOUR. It might eventually, but it has not yet. It has not arrived at a sufficiently large quantity as yet.

Mr. HAMILTON. Are you either directly or indirectly interested in the growing of cattle?

Mr. ARMOUR. Not at all, either directly or indirectly. We do not grow any cattle at all, either directly or indirectly.

Mr. HAMILTON. Are you the owner of shares of stock in a corporation raising cattle?

Mr. ARMOUR. No, sir; none whatever.

Mr. HAMILTON. You have no representatives so interested?

Mr. ARMOUR. No, sir. You are asking about growing cattle now?

Mr. HAMILTON. Yes, sir; the grazing of cattle over the number theretofore bought for that purpose.

Mr. ARMOUR. No, sir. But I will qualify that, if you will permit me.

Mr. HAMILTON. All right.

Mr. ARMOUR. I will say that we have had something like a thousand cattle—or I do not know just the number—down at the distilleries two years ago at Peoria. But they were bought on the market and fed. We went into partnership with some man who had been feeding cattle, and I think we have been in it two or three years. Outside of that we haven't any interest, directly or indirectly, in any live cattle nor in the feeding of live cattle.

Mr. HAMILTON. I have in mind a statement which I have seen to the effect that Armour & Co., or you, or some Armour—and I speak respectfully, you understand. I want you to understand that I am simply seeking information.

Mr. ARMOUR. Go on; I understand it.

Mr. HAMILTON. Was or were interested in a lease or contract for approximately 3,000,000 acres of grazing lands in the Crow Indian Reservation in Montana and Wyoming. Have you any information in relation to that at all?

Mr. ARMOUR. I never heard of it before; and it is not true, so far as Armour & Co. or myself or anybody connected with Armour & Co. is concerned.

Mr. HAMILTON. Then you ought to thank me for giving you the opportunity to clear that up.

Mr. ARMOUR. Well, I hadn't heard of it before.

Mr. HAMILTON. Well, it was stated to me with great positiveness this morning.

Mr. ARMOUR. That is incorrect. You asked me a question on yesterday; may I now answer it?

Mr. HAMILTON. Yes, sir.

Mr. ARMOUR. You asked me to give you the number of live cattle in the United States, and I now have that for you. I have a telegram from Chicago, I presume as of the 1st of January, which says:

Government report shows total hogs 75,587,000, against 70,978,000 year ago. an increase of 6½ per cent. Sheep, about the same as last year. Cattle, 44,400,000, against 44,122,000 year ago. Milch cows, 23,467,000, against 23,310,000.

You asked me the number of live animals, and I told you I thought there were between 40,000,000 and 50,000,000 cattle.

Mr. HAMILTON. All right; I thank you. Now, just a question more. It has been charged that your company has been conducting a system of advertising for the purpose of forming public opinion. I want to give you an opportunity to make a frank statement in relation to that.

Mr. ARMOUR. We do considerable advertising always. Our advertising bill is quite a large item with Armour & Co. We do that to sell our products. It has become necessary—and I regret to say it—that we do a great deal more advertising, and we have done it during the last year, since the Federal Trade Commission have started their crusade, or whatever you may call it, and I say that respectfully, because I do not know of any other better word to use against the packing industry. We have had no opportunity to present our side of the case. This is the first opportunity I have had to tell anybody about the packing industry. And I feel and I know that other packers feel the same way; that there has been an opinion put into the minds of the people, a feeling of condemnation against the packing industry; that we are just a little different kind of people from other people—I do not know just what they think we are, but that we are just a little different; that is, that we are money mad.

Mr. HAMILTON. They think you are a combination.

Mr. ARMOUR. Well, we are not, and I tell you we are not. It has become necessary for us to explain, as far as we are able, our side of the packing business. To tell the people some things about the packing business as we have seen them, and we have not had an opportunity to tell anybody, and that is the reason it has become necessary to do this additional advertising. While it is a legitimate thing, I am very sorry, indeed, that it became necessary to do it.

Mr. HAMILTON. Just one more question, and I now apologize to the chairman of the committee for taking up so much time.

The CHAIRMAN. You are really serious this time, are you?

Mr. HAMILTON. Yes, sir; but this is so important.

The CHAIRMAN. Go ahead.

Mr. HAMILTON. In your brief, Mr. Armour, you have stated that there are certain constitutional objections to the bill now being considered by the committee, and said you were so advised by your counsel. I assume you are not going to discuss the constitutional questions involved. Is it your purpose before you leave the city to ask your counsel to present briefly to the committee the constitutional objections? I see that Mr. Mayer is here.

Mr. ARMOUR. Why, I hadn't thought of that. Personally I think the bill is so wrong that, if you will allow me to say so, you men are intelligent enough to see it in the same light that I do. I may be prejudiced because I am in the packing business, but I see it very plainly, and I want to say I have just as much interest in the consumers and the producers, and it may be a selfish interest, too. I haven't any desire, and I haven't any thought, of asking our counsel to put before you that phase of the situation; I mean I haven't had any thought on that line, but Mr. Mayer, our counsel, is here, and if you gentlemen want to hear from him, I am sure he would be very glad to tell you about it. But personally I had no desire or any

intention of asking him to appear before you. At the same time, I say he is here, and if he can enlighten you on anything you are at liberty to call on him, quite naturally.

Mr. HAMILTON. I submit, Mr. Chairman, if there are grave constitutional objections that this committee might be interested therein, and before we finish it might be enlightening to the committee to have an argument on that subject.

The CHAIRMAN. If there is any member of this committee who doesn't already think he knows all the constitutional law in existence, all right, we will do that.

Mr. HAMILTON. Well, there may be some members who do not know it all.

The CHAIRMAN. Well, no question has ever come up of a constitutional character, I mean, that every lawyer member of the House did not think he knew all about it.

Mr. HAMILTON. Well, I do not know it all, and I would like to know about this matter.

The CHAIRMAN. Let us wait until we get to that subject, then.

Mr. MAYER. Mr. Chairman, Mr. Armour is perfectly willing that I should give you my views on the constitutionality of this bill, and I will be glad to do it if you so desire.

The CHAIRMAN. We will take that up later. Now, Mr. Barkley, you may cross-examine Mr. Armour.

Mr. BARKLEY. Mr. Armour, I believe you stated on yesterday and this morning you reiterated it that your business last year amounted to about \$861,000,000, and that you made a profit of about 1.8 per cent.

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. Which amounted to \$15,000,000 after deducting all your charges, including the Government income tax and excess-profits tax.

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. About how many times during the year does a dollar turn itself over in your business?

Mr. ARMOUR. Well, I would think probably it would turn over four times. There are some gentlemen here who know better than I do, and I would like to ask them.

Mr. BARKLEY. All right.

Mr. ARMOUR. I have an answer from one of our men that it would be about three and a third times. I think this year it wouldn't turn over quite as much as that.

Mr. BARKLEY. So that you did \$861,000,000 worth of business, and that represented about \$200,000,000 of actual money invested in the business?

Mr. ARMOUR. Well, our statement shows how much money we have invested in the business. I do not know but it contains—

Mr. BARKLEY (interposing). It would be practically one-third of whatever that was. If it turns over three and a third times during the year that is the result.

Mr. ARMOUR. I do not think it would this year.

Mr. BARKLEY. I mean last year.

Mr. ARMOUR. Well, I would say three times or three and a third times, but I don't know exactly.

Mr. BARKLEY. Does that \$861,000,000 represent what you paid for your cattle and what you paid for all your expenses, and what you got for them after you sold them?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. That is the entire transaction?

Mr. ARMOUR. That was our sales, you understand. That is the money we got in from selling our goods.

Mr. BARKLEY. So it doesn't include both the purchase and the sale of goods in fixing the amount of your business?

Mr. ARMOUR. Oh, no, sir; that just represents our sales.

Mr. BARKLEY. That \$15,000,000 you say you made clear, and while it is 1.8 per cent on the amount of business you did, it represents a turnover of, say, three and a third times the amount of money invested. What percentage was that of your capital stock?

Mr. ARMOUR. When we read that article on yesterday—

Mr. BARKLEY (interposing). I didn't get in until after you read it.

Mr. ARMOUR. When I read that, I incorporated in that my statement to the stockholders of Armour & Co., which was made at the end of the fiscal year when we gave out our financial statement, and in that statement I said—

Mr. BARKLEY (interposing). Just let that go in if it is in the record.

Mr. ARMOUR. For your own information, and it won't take but a minute, I would like to state it, because I want you to know. You might not read it when it gets into the record.

Mr. BARKLEY. I think I will.

Mr. ARMOUR. I beg pardon. I do not mean to insinuate that you wouldn't be interested enough to do it, but I thought you might not find the time to look it up and read it. This statement says:

Our net income for the period (53 weeks) was \$15,247,837.53, at the rate of 9 per cent on our average net capital invested and 14.7 on our common stock (after provision for dividends on preferred); \$2,000,000, or only 2 per cent, was paid out in dividends on the common stock, we being compelled to reinvest the balance, over \$13,000,000, in the business to meet the ever-increasing demand for additional facilities; this in addition to the \$60,000,000 which we borrowed on our convertible debentures.

Mr. BARKLEY. Your capital stock is \$100,000,000?

Mr. ARMOUR. Our capital stock is, as of November 2, 1918, \$100,000,000 common stock and \$69,366,000 surplus, and that surplus is accumulated earnings.

Mr. BARKLEY. When you increased your capital, and what year was it?

Mr. ARMOUR. 1913, I think.

Mr. BARKLEY. From \$20,000,000 to \$100,000,000, was it?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. The increase was simply an issue of common stock, was it not?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. There was no increase in preferred stock?

Mr. ARMOUR. We had no preferred stock at that time.

Mr. BARKLEY. What part of this \$100,000,000, if any, is now preferred stock?

Mr. ARMOUR. No part of it. We borrowed \$60,000,000 last year on notes that were payable one-sixth every year; in other words, payable

in six years of \$10,000,000 a year. We gave the purchasers of the notes the privilege of converting any part of those notes they might wish to convert into preferred stock, and that is how we happen to have preferred stock now. It all represents money, and at the close of our year there had been \$7,000,000 of those notes converted into preferred stock.

Mr. BARKLEY. And the balance of it, \$53,000,000, is simply represented by notes that people hold against your company?

Mr. ARMOUR. Yes; and possibly will be converted into preferred stock.

Mr. BARKLEY. Possibly; that is, if they want to, but if they do not they will hold the notes.

Mr. ARMOUR. Yes, sir; naturally.

Mr. BARKLEY. As a matter of fact, you only have \$7,000,000 of preferred stock at the present time?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. How many stockholders are there in your company?

Mr. ARMOUR. Do you mean preferred or common?

Mr. BARKLEY. I will take common first; oh, just state it roughly.

Mr. ARMOUR. Well, it is the Armour family, and I would say 7, 8, or 10.

Mr. BARKLEY. All the stock is exclusively owned by the Armour family?

Mr. ARMOUR. Yes, sir; that is the common stock.

Mr. BARKLEY. Who owns the \$7,000,000 of preferred stock?

Mr. ARMOUR. I do not know, but there are 2,400 stockholders.

Mr. BARKLEY. How many subsidiary corporations are there connected with Armour & Co.?

Mr. ARMOUR. I do not know the number but quite a number. I can give you the number but can not state it offhand.

Mr. BARKLEY. Are all the subsidiary concerns owned by the Armour family?

Mr. ARMOUR. They are owned by Armour & Co.; that is, by the stockholders of Armour & Co.

Mr. BARKLEY. Do Armour & Co., as a corporation, hold the stock of these various subsidiary concerns?

Mr. ARMOUR. Yes, sir; I think so.

Mr. BARKLEY. It is not owned by individual members of the Armour family as individual stockholders?

Mr. ARMOUR. I do not know how it is in law, but as a matter of fact actually it doesn't make much difference for the result is the same.

Mr. BARKLEY. Can you tell how many stockyards in the United States you own stock in?

Mr. ARMOUR. I could not offhand; I can give you that list, but I can tell you offhand some of the principal ones.

Mr. BARKLEY. You have not put it into the record yet, have you?

Mr. ARMOUR. I think not.

Mr. BARKLEY. I would like for you to put it in with your testimony. I mean a statement showing the number of stockyards and where they are located.

Mr. ARMOUR. I will try to have it gotten up and given to the committee.

Mr. BARKLEY. The number and where located, and the amount of stock owned by your concern in each one of them.

Mr. ARMOUR. You are talking about the company now and not about me individually?

Mr. BARKLEY. Both the company and you and other stockholders of Armour & Co.

Mr. ARMOUR. All right. I will try to do this but I think you already have this information in the Federal Trade Commission report.

Mr. BARKLEY. On yesterday in talking about the commodities that Armour & Co. deal in, and justifying the dealing in those things, because they were in one way and another connected with the meat industry, I think you referred to potash as being the brother of fertilizer, and to perfume as being the sister of soap, and that all these were the products of Armour & Co. and therefore were cousins. Do you sell buckwheat?

Mr. ARMOUR. We sell buckwheat, but we do not manufacture buckwheat. You are talking about Armour & Co.?

Mr. BARKLEY. Yes.

Mr. ARMOUR. We sell buckwheat—you certainly mean oatmeal.

Mr. BARKLEY. No; buckwheat.

Mr. ARMOUR. You mean oatmeal and not buckwheat.

Mr. BARKLEY. I mean buckwheat.

Mr. ARMOUR. We sell oatmeal.

Mr. BARKLEY. I mean buckwheat, out of which you make buckwheat cakes.

Mr. ARMOUR. We sell what we call pancake flour. I think that is the name it goes under.

Mr. BARKLEY. Do you sell cement?

Mr. ARMOUR. No; I don't think—in fact, I know we do not.

Mr. BARKLEY. Do you sell lime?

Mr. ARMOUR. No, sir.

Mr. BARKLEY. Do you sell cherries, fruit?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. Do you sell bumping posts for railroads?

Mr. ARMOUR. No, sir.

Mr. BARKLEY. Do you sell castings, appliances for use in the manufacture of refrigerator cars?

Mr. ARMOUR. I can answer that in my own way if you want me to.

Mr. BARKLEY. Go ahead.

Mr. ARMOUR. We have a mechanical company that makes our different things that we use in the packing houses, like hangers and retorts and different things in daily use, and they also make different things for the repairing of our cars; but I wouldn't think they sold them on the outside market. I don't think they do. If that mechanical department happens to make what you asked me about—did you say nuts?

Mr. BARKLEY. No; castings.

Mr. ARMOUR. If they happen to make them they sell them to Armour & Co. I do not think they sell them on the outside, or if they do, it is to no extent.

Mr. BARKLEY. Does your concern sell coffee?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. Do you sell coke?

Mr. ARMOUR. No.

Mr. BARKLEY. Do you sell combs?

Mr. ARMOUR. No; I don't think we do; no, I know we don't.

Mr. BARKLEY. Do you sell doors and windows?

Mr. ARMOUR. No.

Mr. BARKLEY. Do you sell garlic?

Mr. ARMOUR. What is garlic made from? Is it made from onions?

Mr. SANDERS. If you sell garlic at all, you must sell it in Italy.

Mr. ARMOUR. No; we don't sell garlic. We buy it for our sausages.

Mr. BARKLEY. For what?

Mr. ARMOUR. It is used in sausage.

Mr. BARKLEY. Do you sell fence posts and wire fencing?

Mr. ARMOUR. No, sir.

Mr. BARKLEY. Do you sell heavy paper?

Mr. ARMOUR. No. What kind of paper?

Mr. BARKLEY. Heavy wrapping paper, container paper, perhaps.

Mr. ARMOUR. No.

Mr. BARKLEY. I am reading here from a long list of articles that has been put in the testimony as representing the things that are sold by the five great packers.

Mr. ARMOUR. I am talking about Armour & Co., but do not know about the rest of them.

Mr. BARKLEY. I wanted to find out whether you sold some of these things. In view of your statement about perfume and fertilizer being first cousins, I wanted to know just what family relationship existed among some of the other articles.

Mr. ARMOUR. You know possibly that potash is used in fertilizer. Anybody in the fertilizer business, whether Armour & Co. or anybody else, uses potash, because you can not be in the fertilizer business without using potash. I mean by that, you can not make fertilizer without having potash. That is why when the war began they didn't get much potash, because all of the potash up to the time of the beginning of the war came from Germany. Germany had a monopoly on potash.

Mr. BARKLEY. I understand that. How many stock yards are there in which Armour & Co. own stock where a portion of the stock is also owned by Swift & Co.?

Mr. ARMOUR. I could not answer that offhand. I can tell you what stock we own and I presume Swift & Co. can tell you what stock they own.

Mr. BARKLEY. I do not suppose I have the right to ask you to put in any statement about Swift's ownership.

Mr. ARMOUR. You could get that from Swift, I have no doubt.

Mr. BARKLEY. You have testified that there was no understanding between you, and I mean by you, your company, and Swift & Co., or any others of these big-five packers as to transactions in the meat market generally speaking. Are there ever any conferences held between the directors or managers of Swift & Co. and Armour & Co. in reference to market conditions, the price of cattle, and as to a division of territory in which each is to operate?

Mr. ARMOUR. No.

Mr. BARKLEY. How did it come about that so many of these stock-yards companies are owned by two or three of the large packers?

Mr. ARMOUR. Well, I can perhaps answer that question better by referring to the Fort Worth, Tex., stockyards, for instance. I can tell you from memory regarding Fort Worth. There used to be a little stockyards down at Fort Worth, many, many years ago, and it never did very much business. There wasn't any progressive bunch of men down there. The yard was just there and it just grew up there, and it never became very large, and it was owned by a man named Simpson and a man named Niles. Simpson and Niles were very anxious to sell it and they came and saw me repeatedly and asked if Armour & Co. wouldn't buy it because it wasn't any good to them, and they were not making any money out of it, and really that they had a white elephant on their hands.

Finally I consented to go down there and look at it. This was, I guess, nearly 19 years ago. I went down there with Mr. Simpson, and possibly Mr. Niles met us there. We looked over the property and finally bought it. And when Swift found out that we had bought that property down there they went over to Dallas and negotiated for the yards there, a little yards that was over there. To make a long story short, rather than have them at Dallas we sold them a half interest, or rather a one-half of our one-half interest. When we bought those yards at Fort Worth Simpson and Niles retained a half interest in them. We sold Swift one-half of our one-half interest in the Fort Worth yards. Then after we bought the yards down there Swift built a packing house and we built a packing house at Fort Worth. They were built of about the same size, and, as I say, Simpson and Niles retained their stock in the yards. Finally the yards became very successful by reason of the packing houses going there, and I can say quite honestly if the packing houses had not gone there, or some packing houses had not gone there, those yards would not have been worth any more to-day than they were then.

Anyway, we went there and Swift built a large packing house and we built a large packing house immediately, and right after these packing houses were built the stock adjacent to that place came into Fort Worth because there was somebody there to buy it. Previous to that time there was nobody there to buy it and therefore no reason for growers to ship their cattle in. Before that time, instead of shipping cattle to Fort Worth they had to ship up to East St. Louis or Chicago, or some place where the railroad journey was very long and the cattle would shrink. You know the nearer to the production point they can grow their cattle the better it is for the cattlemen. So that market was developed into a very large market by reason of the packing houses being built there and by no other reason whatever. And that is why I am taking Fort Worth as an illustration, because that happens to cover the whole situation. Armour & Co. took one-half of our portion of the stock and Swift took the other half and paid for it. Mr. Niles still has a large interest in this property. Mr. Simpson sold his stock. I do not know how many stockholders there are in the Fort Worth yards, but there are a number of them. Mr. Niles, who was the original owner of the stockyards, still is a large owner and a director in the stockyards company.

Mr. BARKLEY. Armour and Swift own a majority of that stock, do they?

Mr. ARMOUR. Yes; I would think so.

Mr. BARKLEY. What was your object in desiring not to have Swift & Co. set up in business over at Dallas?

Mr. ARMOUR. The same desire that we would naturally have. We would rather have all of the live stock from that particular section come into one point than we would to have one yard here and one yard, say, 20 miles away. It makes two markets in that way, and makes the situation most unsatisfactory not only for the packer but for the live-stock man. The fellow who ships his stock in here—you know if there is one place to ship his stock to he will have two buyers, and I am now talking from the live-stock man's standpoint—and from a packing-house standpoint we would rather have all the stock come into one place where we had a chance to have a larger market, rather than to have two divided markets close to one another, neither one of which would be as satisfactory to the producer or the packer or the trade. You understand me?

Mr. BARKLEY. Yes. In other words—

Mr. ARMOUR (interposing). We think that is not only to the interest of the live-stock man but to the interest of the packer.

Mr. BARKLEY. Your first desire, of course, was that there be no competition down there in the live-stock business, so far as stock-yards were concerned, at two points so close as Fort Worth and Dallas.

Mr. ARMOUR. We would rather have one big point than two small points. We think that is economical to the grazing community.

Mr. BARKLEY. You think it better for the community to have one market instead of two?

Mr. ARMOUR. I do.

Mr. BARKLEY. Do you think that if a stockyard had been located at Dallas by Swift and they had subsequently set up a packing plant at Dallas also, which would have been in competition with your plant at Fort Worth and your stockyard at Fort Worth, that the people who produce cattle would have received no better price than they do now by going all to one yard?

Mr. ARMOUR. I do not think they would. And in that event the question would come up, just as it does about one railroad coming through a town. No matter how good a service that railroad gives the people of that town, there are numbers of people who think they would have better service if there were two railroads through the town. So if there is only one packing house at a point, the live-stock raiser or the ranch owner never quite knows in his own mind, if there is only one buyer, and even if that buyer pays him a big price, whether he has got the right price. He is always hoping he will get more if there is another buyer there.

Mr. BARKLEY. In this particular yard is there any real competition between Armour and Swift in the purchase of cattle?

Mr. ARMOUR. I should think there was; absolutely, yes.

Mr. BARKLEY. How many buyers do you have on that yard?

Mr. ARMOUR. How many buyers?

Mr. BARKLEY. Yes.

Mr. ARMOUR. I would guess we have three or four cattle buyers.

Mr. BARKLEY. How many has Swift?

Mr. ARMOUR. I should think about the same number.

Mr. BARKLEY. Do they bid against each other on any given day, on any particular bunch of cattle?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. And run the price up?

Mr. ARMOUR. Yes, sir. That market, unfortunately, is a very high market.

Mr. BARKLEY. Does that stockyard get a commission out of the stock that passes through it?

Mr. ARMOUR. No. That stockyard is just like a hotel. They pay board for the live stock that goes through it, the same as any other stockyards.

Mr. BARKLEY. The price of cattle has no effect upon the stockyard?

Mr. ARMOUR. None, whatever. They get a yardage fee and it is the same all over the United States. It is the same to-day and probably it will be the same to-morrow, no matter who owns the stockyard, and that yardage pays the expense of running the yard.

Mr. BARKLEY. Can you tell how many cattle commission merchants, speaking offhand, do business on the Fort Worth yard?

Mr. ARMOUR. It would be a mere guess, but I should say 40 or 50 now, though I do not know. You can find that out accurately, but I would guess about 40 or 50.

Mr. BARKLEY. The cattle that are shipped to Fort Worth are consigned to those various commission merchants, are they?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. None are ever consigned to Swift or Armour?

Mr. ARMOUR. No.

Mr. BARKLEY. Now, I would just like to get into the record your reason for adopting the policy of having these cattle go through the hands of commission merchants, who must pay, of course, a rent upon the various pens that are set aside for them.

Mr. ARMOUR. No; they pay no rent. They get them for nothing.

Mr. BARKLEY. Well, they charge a commission, of course, upon the cattle they sell.

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. Either to the owner of the cattle or to the purchaser?

Mr. ARMOUR. No; the owner of the cattle pays that.

Mr. BARKLEY. Of course, that expense is added to the ultimate cost of the beefsteak that is distributed throughout the country, or whatever the product may be?

Mr. ARMOUR. It is an expense, of course.

Mr. BARKLEY. If Armour and Swift own a stockyard and are practically the only buyers of cattle—

Mr. ARMOUR. But we are not the only buyers.

Mr. BARKLEY. Or are the owners of the only two packing houses, why don't you have those cattle shipped directly to you; the cattle that you buy, instead of going to the expense of having commission merchant charges added to the cost of the cattle?

Mr. ARMOUR. Well, in the first place, they wouldn't ship their cattle direct to us. If you own cattle out in the country, or were a ranchman, you wouldn't ship cattle directly to Armour & Co.

Mr. BARKLEY. Why not?

Mr. ARMOUR. I would either have to go out or send out and buy the cattle on the ranch.

Mr. BARKLEY. Why not?

Mr. ARMOUR. They would never feel quite satisfied that they were getting the market price. They would feel that they would get less than the market price.

Mr. BARKLEY. They would feel that they needed some friend, of course, to protect them against Armour and Swift?

Mr. ARMOUR. Yes; they would feel that way. You see 5 cents or 10 cents a hundred is quite a lot on cattle. It doesn't seem a lot to the average man, but it is quite a lot.

Mr. BARKLEY. Well, as I want to ask some other questions, I will leave that. I want to ask some questions about these peddler cars. Do you ever ship these peddler cars with only a small quantity of beef in them, but with other merchandise?

Mr. ARMOUR. Yes, sir.

Mr. BARKLEY. Can you name some of the things carried in such a car besides beef?

Mr. ARMOUR. Well, pork loins—but that is meat—and hams.

Mr. BARKLEY. Well, that is meat.

Mr. ARMOUR. Well, I could not name over the articles, but we will be very glad, if there is any reason why you want to know that, to give you some of the invoices of the peddler cars. We will be glad to submit that information if it is of any use to you.

Mr. BARKLEY. It has been testified that these peddler cars go out sometimes with a very small quantity of meat but filled up with a conglomeration of merchandise that goes into the local communities and is sold there, and that by reason of the fact that there is a small amount of meat in the car all of this other stuff gets a preferential rate with the meat that goes by the carload, and it has a cheaper rate than the ordinary merchant can get for his merchandise.

Mr. ARMOUR. I do not think that is correct. I can not answer definitely, but I could almost say offhand it is not correct, because it is not common sense. We have nothing to do with the making of rates. They were made formerly by the Interstate Commerce Commission, and they are now made, as I understand it, by the Interstate Commerce Commission. This rate is made by the railroads or somebody who tells the railroads what to charge, and we have nothing to do with the making of rates and have to pay whatever they ask, or what the schedule or tariff shows. Therefore I say I wouldn't think that was so, because the railroads look after that to see that nobody has any advantage about it.

Mr. BARKLEY. Do you always make a profit on this outside stuff that you sell?

Mr. ARMOUR. Always?

Mr. BARKLEY. Yes, sir; I will ask you always, or I will say as a rule.

Mr. ARMOUR. Not always; but we try to make a profit. On the peddler cars, do you ask?

Mr. BARKLEY. Yes.

Mr. ARMOUR. I will say we try to make it profitable.

Mr. BARKLEY. These things that are not by-products of the meat industry, isn't it true that in a very large number of cases, or in a

portion of your cases along that line, that there is a loss to Armour & Co., which you charge up against the meat industry itself?

Mr. ARMOUR. No, sir; that is not true. I do not know that these last two years are any criterion, but I will say that a goodly proportion of the money we have made in the last two years has been made on outside things. In that connection, I presume you refer, perhaps not directly, but have in your mind, canned goods and groceries that we sell?

Mr. BARKLEY. Yes, sir; the things formerly handled by wholesale grocers whose territory it is claimed has been invaded by you packers.

Mr. ARMOUR. In connection with that there has been a good deal said about the grocery business, or about the grocery products that we handle. Here is a letter from our man who looks after these things, and he says, under date of January 17:

With reference to the wholesale grocers going out of business on account of the packers, for your information statistics show that there were 2,500 wholesale grocers in 1907 against 3,590 wholesale grocers in 1918, showing an increase of 43 per cent.

Mr. BARKLEY. It is claimed that these five big packers have absorbed from 10 to 50 per cent, depending upon the commodity, and ranging from one commodity to another, from 10 to 15 per cent of the business formerly done by wholesale grocers. Is that true or not?

Mr. ARMOUR. I do not think that is true. As far as Armour & Co. goes, I think our grocery business is 4.6 per cent of our total.

Mr. BARKLEY. That is all I want to ask.

The CHAIRMAN. Judge Parker, you may take the witness.

Mr. PARKER of New Jersey. Mr. Armour, you gave some figures with reference to cattle. Last year they increased very little, from 44,123,000 to 44,400,000.

Mr. ARMOUR. Yes, sir.

Mr. PARKER of New Jersey. For the year before did they increase?

Mr. ARMOUR. I haven't got those figures, Mr. Parker, but they can be obtained.

Mr. PARKER of New Jersey. You stated that generally for the last two years cattle had held their own or had increased. In previous years did they increase or decrease?

Mr. ARMOUR. I could not answer that offhand, but that is very easily obtainable from the Department of Agriculture.

Mr. PARKER of New Jersey. You must have been interested in knowing whether the cattle production was increasing, and I only want a general statement.

Mr. ARMOUR. Yes, sir.

Mr. PARKER of New Jersey. Say, for the last 20 years.

Mr. ARMOUR. Yes, sir; very much.

Mr. PARKER of New Jersey. When the ranges went in. Just tell the condition of the production of cattle generally.

Mr. ARMOUR. Well, there was a great shortage of cattle in the years 1909, 1910, and 1911; I believe they were. After that I believe there was a gradual increase in the number of cattle, but I am now speaking from memory. It is easy to get the actual statistics on this matter from the Department of Agriculture.

Mr. PARKER of New Jersey. But there was a shortage in 1909, 1910, and 1911. Was there a shortage before then?

Mr. ARMOUR. No, sir. I wouldn't think very much. I would think they probably pretty well held their own.

Mr. PARKER of New Jersey. If they held their own, have they got back to where they were before? Is the number of cattle in proportion to population as great now as it was 10 or 15 years ago, or 20 years ago?

Mr. ARMOUR. I wouldn't think so; no. In fact, I know.

Mr. PARKER of New Jersey. We are not growing as many cattle now in proportion to population?

Mr. ARMOUR. No; we are not increasing the number of cattle in proportion to population. The prices show that regardless of the war. Yes, sir; the prices show that regardless of the war.

Mr. PARKER of New Jersey. The prices show that regardless of the war?

Mr. ARMOUR. Yes, sir; the prices have been pretty high.

Mr. PARKER of New Jersey. Have the prices some effect upon production?

Mr. ARMOUR. Yes, sir; naturally.

Mr. PARKER of New Jersey. Has it induced people to go into cattle raising?

Mr. ARMOUR. Yes, sir.

Mr. PARKER of New Jersey. Is raising done the same way it used to be on the ranch, or on fenced ranches, or differently from what it used to be?

Mr. ARMOUR. I think in the last few years they have fenced their ranches.

Mr. PARKER of New Jersey. That is the change?

Mr. ARMOUR. Yes, sir.

Mr. PARKER. Has there been any advantage in the foreign system of stall feeding and raising, as they have done in France?

Mr. ARMOUR. No; I think not. There have always been a good many what we call distillery-fed cattle, but that is in certain times of the year. That is all.

Mr. PARKER. Do you think that war prices have had anything to do with the increase in the number of cattle of late years?

Mr. ARMOUR. I think it has a good deal to do with the increase of live stock.

Mr. PARKER. I am talking of cattle.

Mr. ARMOUR. Cattle?

Mr. PARKER. Yes.

Mr. ARMOUR. Yes; I would think so.

Mr. PARKER. Is that increase still persisting; that is to say, is it growing more just now than it did a year ago?

Mr. ARMOUR. I do not know that it is growing any more, but I would say it is holding its own. The supplies of cattle last year have been very much heavier than the year previous.

Mr. PARKER. Has that diminished the number of cattle, or have they held their own?

Mr. ARMOUR. I think they have held their own. These statistics show they have held their own.

Mr. PARKER. I take it that in order to supply this very large demand during this year, if they have held their own in the number of stock there must have been a large increase in the production of cattle?

Mr. ARMOUR. I would say so.

Mr. PARKER. How many do you think were slaughtered last year? You say it was increased by a few tens of thousands?

Mr. ARMOUR. You mean, slaughtered by the big packers, or by everybody?

Mr. PARKER. How many were slaughtered last year by everybody, compared with the year before?

Mr. ARMOUR. I think there was a very large increase. I can get that.

Mr. PARKER. I would like to have that put in, how many were slaughtered.

Mr. ARMOUR. I can give that accurately. You are talking about Armour & Co. now?

Mr. PARKER. What I wanted to know was whether on the whole there has been a large increase in production, because production is not only measured by the number that remained, but by the number that have been slaughtered throughout the United States.

Mr. ARMOUR. I think the number is very large.

Mr. PARKER. Compared to what it used to be?

Mr. ARMOUR. Oh, very, because the consumption has been very much greater. There have been great quantities of meat go across the ocean for the allies during the war.

Mr. PARKER. And we have still held our own?

Mr. ARMOUR. Oh, I would think so, yes; more than that.

Mr. PARKER. I wanted to ask your judgment on this matter; it may not be right in the line of this, but the Food Administration have held up the prices to the producers, have fixed the amount at so much a hundred.

Mr. ARMOUR. On hogs they have, but not on cattle.

Mr. PARKER. Not on cattle?

Mr. ARMOUR. They have had nothing to do with cattle at all; only on hogs.

Mr. PARKER. Do you think the demands of Europe are likely to maintain such a price here as will continue the increase in the production of cattle in spite of the change in the character of the country, which has made the open range no longer possible?

Mr. ARMOUR. The Food Administration fixed the price of hogs at 17½ cents.

Mr. PARKER. But not on cattle. I asked whether the demands from Europe in the next year are likely to maintain prices which will make cattle raising profitable and production probable.

Mr. ARMOUR. That is a very hard question to answer; but the demand from Europe, from all that we can tell, is going to be very heavy for all kinds of meat products in the next year; and if you will allow me to say, we hope—and when I say “we hope” I mean the packers hope—perhaps when peace comes and natural conditions are resumed that there will be an open market into Germany for beef products, which never has been allowed before. We have never been allowed, as you know, to ship beef products into Germany or France.

Mr. PARKER. You think you may have a market there after the war?

Mr. ARMOUR. Yes; we think so.

Mr. PARKER. May I ask what proportion of supplies of Europe, compared with the United States, come from outside countries like Argentina and Australia?

Mr. ARMOUR. Generally speaking, there has been no beef going to Europe at all from the United States; it has all gone from the Argentine. The only reason beef has gone from here to Europe now is because the country has been at war; but in natural conditions there has not been any beef to speak of going from the United States to Europe at all. Recently there have been big shipments of beef, but that was under war conditions.

Mr. PARKER. But before the war it was from the Argentine?

Mr. ARMOUR. Entirely from the Argentine and Australia and New Zealand.

Mr. PARKER. And how much were those supplies, compared with the production of the United States?

Mr. ARMOUR. You do not mean the shipments—you mean the quantity of cattle?

Mr. PARKER. The general shipments that came to Europe from Argentina and Australia. Were they very large?

Mr. ARMOUR. Yes; quite large.

Mr. PARKER. How large, compared with the United States, in production?

Mr. ARMOUR. You could not compare them by production, but I would say there were 10,000 or 20,000 cattle a week, perhaps; 30,000 or 40,000 cattle a week, possibly. We are only shipping over there to the Government.

Mr. PARKER. About how much?

Mr. ARMOUR. Of course, that varies very much.

Mr. PARKER. Something like 30,000 or 40,000 a week?

Mr. ARMOUR. It has been very large some weeks. I do not know how it would figure per week.

Mr. PARKER. I was trying to make general comparisons.

Mr. ARMOUR. I will be very glad, and it will enlighten you more, to give you the exact figures. I will get them and send them to you.

Mr. PARKER. Put them in your evidence just here—whatever you have to say on that subject.

Mr. ARMOUR. You mean during the period of the last six months?

Mr. PARKER. Of course I do not mean the last three months; I mean where there was competition between the two.

Mr. ARMOUR. There was no competition between the two previous to the war, because America did not ship any beef into England at all; all the beef came from South America. You must know that the price of cattle in South America is very much lower than here.

Mr. PARKER. Did large quantities come from South America here?

Mr. ARMOUR. No; because they only took the tariff off a little time before war was declared, but I think there would have been large amounts come here if the war had not interfered.

Mr. PARKER. And there will be competition of that sort after conditions are normal?

Mr. ARMOUR. Undoubtedly if there is no tariff.

Mr. PARKER. And we will have to reckon with the competition of Argentina in growing cattle here?

Mr. ARMOUR. There will be some competition. There never has been, because the tariff was not taken off.

Mr. PARKER. In your judgment, will that competition be dangerous to our cattle producers or not?

Mr. ARMOUR. I do not think it will be dangerous; it will not be dangerous right away, and as to whether it will be dangerous in the future depends a good deal on the price of corn and the price they will be able to raise cattle for in this country, which, in my opinion, will be much lower than the present price.

Mr. PARKER. Why so?

Mr. ARMOUR. A good many cattle are fed on corn, and corn is pretty high.

Mr. PARKER. You can get them cheaper when corn is lower?

Mr. ARMOUR. Oh, naturally.

Mr. PARKER. In order to maintain production of cattle to meet the needs of the next few years do you think the market should be let alone, or do you think the Food Administration ought to exert any control over it?

Mr. ARMOUR. Of course, the Food Administration has never exerted any control over the cattle market; they have never had any control over the cattle market; they have had control over the hog market.

Mr. PARKER. They have not had any control over the price of shipments abroad?

Mr. ARMOUR. Oh, yes. They bought lots of beef, but they have never had any control over the live animals.

Mr. PARKER. Have they had any control over the prices at which you could sell abroad, of that beef?

Mr. ARMOUR. You see, there has been no beef going abroad from here to sell; you have to sell it to the Government here, and they ship it abroad. There has been no beef shipped from here abroad and sold again after it got over there.

Mr. PARKER. What I am trying to get at is whether that control by the Government purchasing agents will have to continue in the period of peace, or whether trade may be allowed to take care of itself.

Mr. ARMOUR. I think it ought to be controlled for a reasonable time, but I do not think it ought to be controlled after things get pretty nearly normal, and I do not think it will be.

Mr. PARKER. I think that is about all.

The CHAIRMAN. Mr. Montague, do you wish to ask any questions?

Mr. MONTAGUE. What proportion of the output in the Argentine Republic is taken by the four big packers? I understand there were only the four dealing in the Argentine. Were there only four or five?

Mr. ARMOUR. Four only.

Mr. MONTAGUE. That is what I understood you to say.

Mr. ARMOUR. It would be a mere guess, 40 per cent. I do not carry those figures in my head.

Mr. MONTAGUE. Can you supply the committee with them?

Mr. ARMOUR. I would if I could. I can not tell you, of course, because I do not know whether we can get the information from the other packers, but if we have the figures we will supply them to you.

Mr. MONTAGUE. Have you any branch of your establishment in Australia?

Mr. ARMOUR. We have not any packing house over there; no. We have been buying some, I think, over there, but we have not any packing house there.

Mr. MONTAGUE. You slaughter the cattle there; you do not bring them over on the hoof?

Mr. ARMOUR. I do not mean that. We had an interest in a company over there that was doing business; we had an interest in the selling of their beef. That interest has disappeared; it does not exist now.

Mr. MONTAGUE. I do not desire to take up the time of the committee with an argument on any constitutional questions, but if your counsel will put his argument with your hearings that would meet the convenience of all, and I personally would be grateful.

Mr. ARMOUR. All right.

The CHAIRMAN. Mr. Winslow, do you wish to ask any questions?

Mr. WINSLOW. Will you kindly tell me when the original company which you represent was organized?

Mr. ARMOUR. The original company?

Mr. WINSLOW. Yes.

Mr. ARMOUR. I guess 1900. You mean the present Armour & Co. corporation?

Mr. WINSLOW. Whenever you started the beginning of Armour & Co.

Mr. ARMOUR. 1867. That is when Armour & Co. started.

Mr. WINSLOW. And then they reorganized into the present company in what year?

Mr. ARMOUR. I should think 1900.

Mr. WINSLOW. Do you remember the capitalization in 1900?

Mr. ARMOUR. \$20,000,000 capital and \$33,000,000 surplus, I think it was.

Mr. WINSLOW. What part of that capital represented paid-in capital?

Mr. ARMOUR. All of it, every dollar of it.

Mr. WINSLOW. Surplus and all?

Mr. ARMOUR. Every dollar.

Mr. WINSLOW. By what amount has that increased since then?

Mr. ARMOUR. It has increased; I can answer that question by telling you that our present capital is \$100,000,000 and the present surplus is \$169,366,000. You can subtract to get the figure.

Mr. WINSLOW. That is a little bit too quick mathematics for me.

Mr. ARMOUR. It is \$169,366,000, and the other was \$53,000,000.

Mr. WINSLOW. That is about \$114,000,000.

Mr. ARMOUR. Whatever it is; I think so.

Mr. WINSLOW. And then what amount had you paid out in dividends?

Mr. ARMOUR. Very little; a total of about 12 per cent, I think.

Mr. MAYER. Twelve per cent.

Mr. WINSLOW. That would be on the average capital?

Mr. ARMOUR. Yes; I guess so.

Mr. WINSLOW. Has there been any stock dividend issued meanwhile?

Mr. ARMOUR. No; except this one that was discussed before, that there was this discussion about. It was increased from \$20,000,000 to \$100,000,000, but that does not change these figures one bit.

Mr. WINSLOW. How much of that was paid from new capital, from the subscribers?

Mr. ARMOUR. All the new capital we have had has been the earnings of the business.

Mr. WINSLOW. You have declared stock dividends?

Mr. ARMOUR. Yes; we have declared stock dividends out of the accumulated earnings.

Mr. WINSLOW. And that would reduce the surplus?

Mr. ARMOUR. Yes, sir; and increase the capital, but the total would be the same; there would be no difference in the total.

Mr. WINSLOW. So that the earnings represented by the dividends you have actually paid in cash, plus the stock dividends, plus the surplus, would represent the net earnings of the concern?

Mr. ARMOUR. Yes, sir; in other words, there have been a good many inferences thrown out by the Federal Trade Commission, and they were wholly by inference, that any ordinary man would take by inference, that there was a stock dividend that came out of the air; that we put our hand out and brought it in from somewhere. That is not true; and it is very unjust and unfair for the Federal Trade Commission to give out that kind of statement. So that all this that you are speaking about is not water; it is all earned capital; and as to whether it is in the capital, if it is in the capital it is taken away from the surplus.

Mr. WINSLOW. It would simply mean that at some time in the process of the business of the company, when you had earned and accumulated and laid away so much value, you capitalized it among the stockholders?

Mr. ARMOUR. Yes, sir; we divided it up.

Mr. WINSLOW. When you speak in your table submitted here in this supplemental statement of the per cent on total investment, does that mean the earnings on all of the money that has been in the business, or just the actual paid-in business?

Mr. ARMOUR. It is just the money we made out of the invested money we own.

Mr. WINSLOW. I just wanted to get the relation between the second column here and the third column.

Mr. ARMOUR. What paper have you?

Mr. WINSLOW. I have the supplemental sheet in your brief.

Mr. ARMOUR. This represents the per cent of the profit on invested capital.

Mr. WINSLOW. I want to be perfectly clear about that. I am not trying to make anything out of it except to get the facts. There is quite a difference when you consider the percentage on capital stock as such and the money invested in the business, because you might hold a lot of that in bonds and whatnot and still invest it in the business.

Mr. ARMOUR. This is our own money invested in the business.

Mr. WINSLOW. Is that the income?

Mr. MAYER. May I have your permission to pass you the last report which has been handed to the members of your committee, because I think with the aid of that you will get a great deal of enlightenment?

Mr. WINSLOW. All right. What I want to get at is this: I would like to find out, if possible, what you regard as your average capital

during the years since 1900 up to now and what you regard as the net profits or earnings on that capital?

Mr. ARMOUR. I can only answer that question by saying that our present capital and surplus is \$173,000,000, and we made \$15,000,000 on that. That is 9 per cent on the money invested—our own money invested in the business.

Mr. WINSLOW. I want to go a little further than that and get the total amount for the whole period and then see how it averages per annum.

Mr. ARMOUR. I can answer that question, not by any amount of money we have invested, because I do not know; but if you will look at that supplemental statement you will find we give our percentage on the total investment from the year 1912, and it runs down in that year very low, as you will see by looking at the right-hand column. Does that answer the question?

Mr. WINSLOW. It is approaching it, but it does not really give the average, because you have had some capital all the time.

Mr. ARMOUR. The capital would not enter into this at all. The capital happened to be changed from time to time.

Mr. WINSLOW. You must get the amount of capital invested in order to get the percentage of earnings of your business.

Mr. ARMOUR. I can give you that, but I can not give it to you now from my head, the amount of capital; but I can give you the per cent on the total investment. I can get you the amount of capital, but the per cent on the total investment is shown in the right-hand figure. Last year it was 9 per cent; the preceding year it was 15.56 per cent. Does that answer what you want?

Mr. WINSLOW. I am trying to get the average.

Mr. ARMOUR. We will average that for you. I can not give it from my head.

Mr. WINSLOW. If it showed an earning of 30 per cent or 40 per cent on the average of 10 or 15 years, that would lead to one conclusion; if it showed an earning of 10 or 12 per cent it would lead to another conclusion; and I thought if you had that convenient it might be worth while putting it in the record.

Mr. ARMOUR. We can give you the capital; but even if you had the capital, that would not change the per cent which we can now give you. It is there [indicating].

Mr. WINSLOW. To get the capital would give a little suggestion as to how the earnings are coming as the capital increases.

Mr. ARMOUR. We will see that you get that, but I have not got it now.

Mr. WINSLOW. The question of taxes was raised this morning. I was not quite sure from what you testified whether you took your excess-profits tax of last year and other revenue taxes out of your receipts and charged them to expense, or whether you took them and put them in your gross earnings and then subtracted out of the gross earnings.

Mr. ARMOUR. We took them out of our gross earnings.

Mr. WINSLOW. And not as expense?

Mr. ARMOUR. Oh, yes. I think our statement will give you that answer, because they show what they are in the statement. All you have got to do is to add our earnings to the amount of money we put aside

for taxes and that will show our gross earnings. We have taken it out, because it is something we have had to pay out.

Mr. WINSLOW. In other words, if you had not had to meet that extraordinary and unusual taxation you would have made that much more money?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. I do not see how you could do it any other way.

Mr. ARMOUR. That is what we thought, too.

Mr. MAYER. That averages 8.54 per cent since 1912. We will go back for you if you desire.

Mr. WINSLOW. There seems to be a good deal of hard feeling toward the packers on the part of various organizations, among them the farmers, by whom I suppose we should understand would be the feeders and the producers themselves. I have here an article which probably was sent to every Member of Congress, purporting to be sent out from the farmers' national headquarters, and signed by a man named George P. Hampton, managing director. He says in this paper, which is headed "Farmers' fighting program," dated January 18, 1919, that "the conference also unanimously adopted a resolution providing that the farmers' nonpartisan congressional committee be formed (1) to assist farmers' friends in Congress in their campaigns for reelection; (2) to aid in securing the election of farmers to Congress. This committee to be strictly nonpartisan and to be guided in its support of candidates solely by their support of the farmers' program."

That seems to be clear enough. Then he says:

Especially do I now urge upon your attention the section which I have blue-penciled on "packing plants," and in the name of the organized farmers of the Nation ask your active aid in getting the Sims bill (H. R. 13324) and the Kenyon bill (H. R. 5248) favorably reported and passed before the close of this session.

You will hear from the Farmers' National Committee on Packing Plants and Allied Industries on this matter, but I ask the farmers' friends in Congress not to delay a moment, but bring all pressure to bear to get this vitally important legislation enacted without delay and before the rush of the closing days of the Congress clogs the calendar.

Could you state any opinion you may have as to why the farmers are really down on the packing business?

Mr. ARMOUR. Well, I do not know that they are generally, but I would like this opportunity to refer to an article entitled "To the editors of the American press." I have no doubt you all had a copy of it, because I guess they saw to it that you got one. It is a long article, and I will not bore you by reading it, because I presume you have seen it. It is signed by H. A. Jastro, E. L. Burke, Joseph M. Carey, Dwight B. Heard, E. C. Lasater, W. R. Stubbs, and H. C. Wallace, market committee of American National Live Stock Association, and it goes on to say that the Federal Trade Commission has found a good many things about the packing business that are pretty awful, and for that very reason a good many things ought to be done to them.

Now, I think I should be permitted to say, and, I think, if you were in my position you would say the same thing, that is one reason I am very glad to be down here and have you gentlemen ask me anything you want about the packing business. The Federal Trade Commission for some reason or other, whether they thought it was the popular thing or not, I do not know, but for some reason or other

they have thought that they should condemn the packers, and the people here have used a lot of the phrases that the Federal Trade Commission has put out to the public. We spoke this morning about advertising. That is one reason that it has been necessary for the packers to do some advertising that has been criticized very severely by the Federal Trade Commission, and they want to know why we do these things. The packers were on trial without having an opportunity to be represented at the trial. There were a lot of innuendoes as to a lot of awful things the packers did by reason of the men who have found a few things, and say, "Yes, of course, just as it was given out to the public." I was asked a little while ago about Armour & Co.'s ownership in the stockyards in Chicago. When the Federal Trade Commission found out that Armour & Co. owned 20 per cent. of the stockyards in Chicago, the inference and the insinuation that went broadcast throughout the country was that, of course, Swift and Morris and the rest of the packers owned the rest, or at least had an interest in them, and, of course, it was an awful thing. As a matter of fact, they do not own any interest in it; Armour is the only one that is interested in it, and I think that is very unfair. I believe, and I do not say it because I am president of Armour & Co. at all, because I think I can see things as well as anybody can, but I believe the packing industry is a benefit to this country. It is unfortunate that there are times when the cattlemen lose money. There is nobody that regrets that any more than we do, and if there is any way that can be found to change that we will welcome it just as quickly as anybody else; we will welcome anything that will stop this unfair criticism that has gone broadcast, and it is more unfair because it is put out by the Federal Trade Commission. I wish I did not have to say it, and it may not have been policy for me to say it, but we are down here on trial. We have done nothing wrong, and this is the first time we have gotten an opportunity to say anything. By those figures that we have given you we have tried to show what the industry is. I personally think the industry is a great benefit to the country, and if the packers were not in existence there would not be this medium available to the consumer that they now have. I claim that it is unfortunate that at times the live-stock men lose money. If there is any remedy for it, I would be glad to have somebody tell me; but the remedy is not in the present situation at all, and whether you pass this bill or whether you do not pass the bill it is not going to change the situation one bit. The only change it is going to make is to make the service the packers give to the people less efficient than it is now. That is all.

Mr. MONTAGUE. In your opinion would it be more expensive?

Mr. ARMOUR. More expensive.

Mr. MONTAGUE. That would raise the price of the product before it reaches the consumer?

Mr. ARMOUR. Yes. As to whether the Armour Co., the stockyards, or somebody else has charge of this matter it will not make one bit of difference to the consumer; there will be just the same kind of buyers to-morrow as there were yesterday, and somebody is trying to fool the people; that is all. Perhaps I should not say all these things, but it is very unjust, and if you are trying to get anywhere for the consumers as well as for the producers, you must realize that

this mud-throwing at the packers has not been fair. It has created a feeling among the people that the packers are the biggest thieves in the world. I believe, and I hope you will agree with me when you have heard everything I have tried to tell you and when you have heard the rest of the people representing the packing industry, that instead of being a menace to the community, the packing industry is a great benefit to the community. There has been no profiteering, as our figures show. These few inferences that have been thrown out have not been based upon facts at all. People say, "Of course, this has happened," and "Of course, that has happened." As a matter of fact, that has not happened, but that goes out to all the people and they think that it has happened. I guess I am through now.

MR. MONTAGUE. Did you refer to that particular organization we were discussing? Does he know anything about that organization?

MR. WINSLOW. I am coming to that in a moment. Mr. Armour, you have spoken of the necessity of going into print and publicity, in order to make your position understood by the people. Have you not a very good precedent; I will ask you if you feel I am in error when I feel that you have a very good precedent for defending your acts and commissions in the form of the publicity Creel Bureau, which has cost this country millions of dollars, in order to tell the people what is going on, to misrepresent and defend all kinds of actions that have taken place on the part of war bureaus that have been operating in the United States?

MR. ARMOUR. I do not think it is any more wrong for me to secure publicity.

MR. WINSLOW. They have published daily, if I am not mistaken, a bulletin to camouflage the whole business of the war operations in this country.

MR. ARMOUR. Listen a minute, please. I am not trying to defend myself one minute because we put out these advertisements. I am telling you why we had to do it; I would not consider that I was worthy to be president of Armour & Co. if we had not done it.

MR. WINSLOW. If it is commendable for the Administration of this country from the top to the bottom to spend a couple of million dollars to tell what they are doing, it certainly is not reprehensible for any business concern to do the same thing. I am perfectly willing to leave it there.

(Thereupon, at 1 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. Mr. Winslow will continue his examination.

STATEMENT OF J. OGDEN ARMOUR—Continued.

MR. WINSLOW. Mr. Armour, I undertook to secure your judgment in respect of the attitude of the farmers toward the packers. In the prosecution of that inquiry I would like to go on with some of the subject matters which are set forth in this farmers' paper, The Policy

and Program of American Farmers. I don't know the men who are back of this, and I am not so sure that they accurately represent all the farmers who are interested in the cattle industry, neither do I know that such is not the case, and in the hope that their suggestions here may throw light on the subject I am going to give the promoters of this paper and their propaganda the benefit of the doubt and ask you to kindly go over with me and answer such questions as I may put to you. In making the few inquiries that I will make they will amount in substance to a repetition of inquiries which have been made to you a number of times through the hearing, and to which you have answered pretty fully; but in view of the threat which these people have put out here as to the way they propose to defeat Members of Congress, I would like to propound these questions as they have sent them out, in order that we may have them answered categorically and have the whole thing lumped together. I will undertake to say to the chairman and gentlemen of the committee that I hope they will pardon me for repeating.

Now on this proposition, No. 3, headed "Packing plants," this paper prints the following:

The revelations of the Federal Trade Commission of the monopolistic control which the big five packers have established in the business of the manufacture and preparation of meat, their efforts to control the entire food supply of the country, and their entrance into allied and unrelated lines of business, and the exposure of the direct connection and virtual identity of the interests of the packers when the financial interests of the country make it clear that the privileges which have enabled the packers to build up such a monopoly must be immediately terminated. The four following recommendations of the Trade Commission to deal with the packing situation should be adopted as the permanent policy of the country.

Then they say:

The Government requires, first—

And I will ask you after I read each number to be kind enough to give that proposition consideration—

First. All rolling stock used for the transportation of meat and of meat animals, and that such ownership be declared a Government monopoly.

Mr. ARMOUR. You want my reply to that?

Mr. WINSLOW. Yes; if you would like to give it.

Mr. ARMOUR. I have replied to that before, but I am going to reply to it again. I think that would be a great mistake, for reasons I have already set forth. I don't think that it would be economically as cheap. I don't think it could be done economically as cheap as it now is being done, and I think if the cars were put under the Railroad Administration, or taken away from the packers, it would not certainly lower the price of livestock any, and it would not lower the price of meat to the consumers one bit. In the first place, I contend that no one could run these cars any cheaper than the packers can run them. I think they would run them more expensively. I think it would cost them more money, and after all as to whether the packers own them or someone else owns them, the result to be obtained would be, whether it would be of any benefit to anybody. I claim it would not be of any benefit to anybody, and I think it would be a mistake to change anything unless somebody would be benefited from it. I not only think that, but I think there would be a great hardship—I think that a great hardship would be done to not only the

packers but the people, because after all anything that is a hardship to the packers has got to reflect itself sooner or later upon either the consumer or the producer. That is my answer.

Mr. WINSLOW. Now proposition 2:

The principal and necessary stockyards of the country to be treated as freight depots and to be operated under such conditions as insure open, competitive markets, with a uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of the live-stock production of the United States may require. This to include the customary adjuncts of stockyards.

Mr. ARMOUR. Whether the yards are owned by the packers or by the railroads, the charges would be the same—in the same position they are now. The charges to everybody are the same, whether he is a packing house—whether he buys cattle or livestock to be slaughtered, or whether he buys them to be shipped. And I can say with all the positiveness that I have at my command that the selling prices would not change one bit. It would not make any difference to you or anybody else who is shipping live stock who owns the hotel that the live stock goes to. In other words, it would not make any difference in the price that the packers or anyone else pays for live stock as to who owns the hotel. It would not make one bit of difference; the cattle would be just as high or just as low, and the live stock man would make just as much money, or he would lose as much money if the markets were bad, whether the stockyards were owned by the packers or owned by you, or by the railroads. I contend the only difference it would make would be that I don't believe—and I don't think—that the service would be as good.

Mr. WINSLOW. Proposition No. 3:

All publicly owned refrigerator cars, and all necessary equipment for their proper operation, their ownership be declared a Government monopoly.

Mr. ARMOUR. It may be somewhat out of place, but I happened to meet this morning, Mr. Chambers, who is in the employ of the Government. He is a railroad man with the Santa Fe Railroad. He is now an employee of the Government, in Washington—in the Railroad Administration. I happened to meet him at the hotel. I have known him for many years, and he asked me what I was doing here, and I told him I was coming down here, and I said: "They have got the question of refrigerator cars up, the ownership of them." He rather laughed and said: "Well, is that up again?" I said, "Yes." "Well," he said, "I hope we don't want them." I said, "Well, I know that. You had the power to take them and you turned them over to us." I presume you know the Government, when they took over the railroads, had also the power to take the refrigerator cars, and that power rested with the railroads. They had the power that this bill now gives them. They already have it; they have got it to-day except, of course, it is only for the length of time they take the railroads over, so that you won't be giving them anything, except a permanency, more than they already have now. They can take the refrigerator cars if they want them but they don't want them, because they are practical railroad men. They know that there would be no benefit to anyone. We don't make any money out of our refrigerator cars. They are a necessary thing for

us to have. They are necessary for us to have, because it makes our other business run smooth.

So, I am very honest when I say that I think that if the railroads owned the refrigerator cars the service would be worse; would not be run as well as it is now and, after all is said and done, somebody would have to pay for that and I don't think the packers alone would have to shoulder it. It would probably come out of—we get our percentage, as I have tried to show you, and I think we would get that same percentage or near it whether the stockyards were turned over to the railroads or whether the refrigerator cars were turned over to the roads. That is simply a sentimental request that does not mean anything advantageous to anybody. I think it means a great disadvantage to the people, to the producer as well as to the consumer.

Mr. WINSLOW. Will you kindly state, in your own behalf, and as far as you can consistently, in behalf of the others of the big five, so-called, your attitude toward smaller packers in respect of loaning or furnishing them with refrigerator cars as their needs may appear?

Mr. ARMOUR. I can only speak for Armour & Co., but I understand the same attitude—I understand the other packers have the same attitude. We quite frequently loan cars to anyone, other packers or anyone else, whenever we have a surplus of cars and at certain seasons—not certain seasons; but there may be certain times when we have loaned them and we have been very glad to loan them. We are very anxious to have our refrigerator cars running even when they are run at the best they lose more money than we wish they would lose, and it is our object to keep them going just as fast as we can. If we haven't got the business for them we will loan them to any small packer that asks us if we have a car. We are very glad to.

Mr. WINSLOW. Has there ever been any recorded public contention on the part of any small packers that has not been the case in the past, so far as you know?

Mr. ARMOUR. Not that I know of. The attitude of the small packer toward the big packer and the attitude of the big packer toward the small packer is one of great friendliness.

Mr. WINSLOW. Proposition No. 4: .

That such branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption, the same to be operated by the Government as public markets and storage places, under such conditions as will afford an outlet for all manufacturers and handlers of food-stuffs on equal terms; supplementing the marketing and storage facilities thus acquired, the Federal Government to establish through the Federal Administration at the terminals of the principal points of distribution and consumption central wholesale markets and storage plants, with facilities open to all upon payment of just and fair charges.

With the further suggestion on the end of that, as a rider:

Slaughterhouses should be constructed near the sources of supply, and municipal slaughterhouses in all important centers.

Mr. ARMOUR. Of course, I don't know who wrote that paper. I don't know who is the editor of that paper, but the three questions you have asked me are practically the suggestions of the Federal Trade Commission.

Mr. WINSLOW. These are taken from the Federal Trade Commission's suggestions.

Mr. ARMOUR. I say they are their suggestions.

Mr. DECKER. Is that last question?

Mr. WINSLOW. That rider about municipal slaughterhouses?

Mr. DECKER. And storage plants.

Mr. WINSLOW. Yes; the long proposition was. The only part that is not taken from the Federal Trade Commission's suggestions, so far as I understand, are these words: "Slaughterhouses should be constructed near the sources of supply, and municipal slaughterhouses in all important cities."

Those words I take to be the words of the editor.

Mr. ARMOUR. I haven't any more to add to that than I have already said. It would be a great mistake to try and take over the branch houses. In the first place, it would be a far greater mistake for them to take branch houses over than it would be to take the stockyards and cars over, for the very reason that the running of branch houses is a very complicated affair and the Government could not run them. There are different kinds of branch houses. We have branch houses that do all kinds of business. They are not simply storage houses in the sense that a freight house is a storage house for freight, because freight goes into a freight house and comes out in the same condition that it goes in; in many of our branch houses our products go in and come out in an entirely different condition. They are not branch houses only; they are manufacturing establishments, and we make sausage at them, and we not only manufacture, but we sell manufactured goods that are shipped there, and I think it would—they would find that if that was done—it might be done in theory, but I tell you that theory and practice are two different things in business. It would not work and it would not work to the benefit of the people or to the benefit of anyone else.

The trouble, as I see it—and it perhaps may be unbecoming for me to say so, but I think the Federal Trade Commission has made a lot of suggestions that, from my standpoint—and I don't say personal standpoint at all—I don't know as you think I can get away from that, but I think I can—has made a lot of foolish suggestions that will not work. I don't say that personally at all, because they can take everything I have got, but the business will not be run properly. It will not be as well run, and it will not be good for the consumer; and I predict that if they took it they would want to hand it back to us as quick as they could find out that it did not work. I don't say that because it might hurt me personally at all, because I think I can get beyond that. You may not think so, but I think I can.

Mr. WINSLOW. Mr. Armour, do you feel that the farmers, the producers and breeders, and those people who contribute toward the sale of cattle to the packers carry on their work in a reasonably scientific way?

Mr. ARMOUR. I haven't any reason to believe they do not. I haven't any reason to believe they do not, generally speaking.

Mr. WINSLOW. You think they work out economies in their business as they would in most any business?

Mr. ARMOUR. I haven't any reason to believe they do not, broadly speaking, generally speaking.

Mr. WINSLOW. I don't suppose you, perhaps, have kept track of it; but maybe you would know whether or not any considerable number of the large producers keep real cost on their business?

Mr. ARMOUR. Among the large producers that I know and I have seen they are most intelligent men, and I have never seen the way they do business; but I would judge from their intelligence and their personality that they would know what they were doing.

Mr. WINSLOW. A day or two ago I took occasion to ask one of the packers who represented himself as an officer of a so-called smaller concern, how he arrived at the cost of his products, and if I am accurate—which I mean to be—he said he had no system of cost making to show what anything really cost on a modern plan of cost making. Now, could you tell us what your attitude toward that proposition is?

Mr. ARMOUR. Well, I could only refer to Armour & Co. We keep accurate costs. I remember many years ago there was a man in Boston told my father, "Oh, well, I make money three years out of five." He went broke a little while after that. I only mention that—that is no reflection on this man; but I don't know any small packer that doesn't keep costs, personally. I would think they all would know in a pretty reasonable way what they were doing. I know we do. We have experts that keep costs—that don't do anything else.

Mr. WINSLOW. That question grew out of another one, which was about to this effect: "What system"—I asked him, and I will ask you—"what system, if any, do you have of establishing a selling price based on cost?"

Mr. ARMOUR. Well, we have—I don't just know as I can answer that question.

Mr. WINSLOW. I will tell you, in order to help the thing along, if it would not be natural for you to have a schedule of the items you produce and what it costs; and you keep against the production of those items certain subheadings, representing costs of various operations and material?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. And I presume you fill in that skeleton schedule from time to time, so that you can tell whether a pig's foot dressed costs a cent or half a cent, or a cent and half to market to-day, and that it costs a half cent more or whatever it is the next day, or a quarter of a cent—or whatever you think it costs. Now, the cost being established on your lists—I am referring to those you produce, not those you buy—have you any scheme or plan of adding a percentage of profit to those costs, such as 5 per cent, 3 per cent, 2 per cent, or whatever it may be, for the market, the market price to the person who buys from you?

Mr. ARMOUR. Why, we have the cost of all our things, like pigs' feet and different things, and then there is a list price that has been established—I say established, it is the price that we sell by, and then if they cost more we raise that price or we lower that price, if it costs less. I couldn't tell you whether we take 5 per cent—you are talking of the difference between the cost price and the selling price?

Mr. WINSLOW. I don't want to know the percentage, but I want to know if you do.

Mr. ARMOUR. Yes, sir; we do.

Mr. WINSLOW. Add to a base, which may be a permanent base, if you choose, and subtract from that base according to the ups and downs of the cost?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. So that is not entirely guesswork as to whether you sell at a loss or profit?

Mr. ARMOUR. Absolutely, no.

Mr. WINSLOW. And competition affects your loss or gain on the selling price?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. Now, then, you spoke of losing on a carload of beef in Washington on one day and making some the next day, and so on. There must be some law of average of getting at the thing.

Mr. ARMOUR. Well, when we buy cattle, we buy—cattle are sold in different loads. There may be 10 cattle or 50 cattle in a load, and each load of cattle we make what we call a test, so that we know what each bunch of cattle costs. We don't bunch up the whole day's kill. There are many different kinds of cattle that we buy. There may be some good cattle, some medium cattle, some poor cattle, and we make a test of each load of cattle each cattle buyer buys, and as those cattle are shipped down to our different houses, one bunch of cattle, of 100 cattle at a load, might be shipped to 20 different houses, because there might be only 4 of this grade of cattle, 5 of the other, 6 of the other, and they all go to different houses. Our houses get a memorandum of the cost for those cattle. That is for their guidance. They try to get as much more as they can over what those cattle cost, but the selling of those cattle is not gauged on the cost; it is gauged on the market in Washington or New York, or wherever they go. We might have—one week we might get a very good price, and the next week, as I said this morning, our man told me yesterday the market was very bad here; the weather had happened to be bad, or there was a falling off in the consumption of beef, and that is the method that we use.

Mr. WINSLOW. Now, would that exist, in effect, in canned and tinned goods as much as those which would not stand the time?

Mr. ARMOUR. Would not what?

Mr. WINSLOW. You call them perishables.

Mr. ARMOUR. It would not affect the price of canned goods.

Mr. WINSLOW. On canned goods you establish a price?

Mr. ARMOUR. Anything that you can hold on your shelf and not sell—you see any fresh meat you have got to sell within a reasonable time. If you can get your price for it, naturally well and good; you sell it. If you can't get your price for it, you have got to sell it because every day you keep it beyond a certain point, it becomes not only less easy to sell, but it is worth less money, no matter how good the market or what the market. Now, canned goods or anything like that is called a shelf article. It is something you can put on your shelf, and if you can't get the market for it, if the market is lower than you think it ought to be, you are not obliged to sell it.

Mr. WINSLOW. And, Mr. Armour, did your concern have here in Washington on special duty during the war period any specially detailed agents for any business other than the ordinary sale in Washington?

Mr. ARMOUR. No.

Mr. WINSLOW. How did the orders come to you from the War Department, the military institutions, etc.?

Mr. ARMOUR. Some of the orders came to Chicago. There was a certain amount—I think some of the Army orders were given out from Chicago—I mean the man located in Chicago. Then other orders were given out from here. They would either call the packers down here, the small packers, the big packers, and everybody—you are talking about Army orders, Government orders?

Mr. WINSLOW. Yes.

Mr. ARMOUR. And they would distribute them out from the food department.

Mr. WINSLOW. But you had no special runner-up or special agent to amuse buyers in any?

Mr. ARMOUR. No, sir; we did not.

Mr. WINSLOW. You simply let the business take its natural course, either at the solicitation of the Government or through your natural channels of distribution?

Mr. ARMOUR. We had men down here when they were sent for. That is all. We sent men down here. We have a man here that stays here all the while, but he is a regular man.

Mr. WINSLOW. I mean special agent.

Mr. ARMOUR. No; not at all.

Mr. WINSLOW. Appointed for breaking into this war business?

Mr. ARMOUR. No, sir; we did not. We only sent men down here when they were called down here.

Mr. WINSLOW. Did you have anybody sit in with the representatives of the Food Commission and others when they established the prices at which you were to buy pork, and the profits that you were to make, etc.?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. And he came by invitation?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. Now, I wonder if you chance to know by what process the amount of $17\frac{1}{2}$ cents for pork, for instance, was determined as being a right price to pay the farmer or the producer?

Mr. ARMOUR. I can tell you the story of it if you would like to hear it. It is a short story.

Mr. WINSLOW. Yes; I would like to hear it.

Mr. ARMOUR. Early in the season, at the beginning of the season, when the run of hogs begun to start—

Mr. MONTAGUE (interposing). About what time of the year?

Mr. WINSLOW. He is talking about the $17\frac{1}{2}$ cents. This year is the only year we have had $17\frac{1}{2}$ cents.

Mr. MAYER. You mean 1918?

Mr. ARMOUR. Yes.

Mr. MONTAGUE. I wanted to know about what you meant by the "run of the season."

Mr. ARMOUR. The hog run. The hogs begin to come in in October, November, and that is what we call it. During the winter months the receipts of hogs are very heavy. At the first beginning of the hog run the general conditions were very bad. Fresh pork was selling very low and there was a great glut on the market, as I

explained to you this morning—or I was asked this morning—of hogs. They seemed to all want to come in in one week, with the result that there was a great smash in the hog market—2 or 3 cents in a couple of weeks, and the live-stock people, who are interested in the live price of hogs, called a meeting—I don't know whether the live-stock commission people called the meeting or the Food Administration, but a meeting was called which the packers were invited to attend, and the live-stock people said: "Now, this is not fair to let these hogs go down to such a low price, as we were told last year that when the war was on, in the midst of the war, if we would stimulate the production of hogs, that we could be assured of a decent price"—the farmer—which was true. They went out last year and said, "now, if you will raise all the hogs you can"—it was right in the middle of the war when they wanted food stuff—"we will guarantee that you get a good price next year for your hogs."

Which was in my opinion quite proper and right, because we were in war and we needed food just as much as we needed ammunition, and the live-stock people said, "Now, it isn't fair to have these hogs sell so low," and the Food Administration said, "all right, we will get the packers down here and see if we can't stabilize the price." Now, when I say the "packers" I don't mean only the big packers; I mean they got all the packers down, the small packers as well as the big ones, and they said, "Now, conditions are such here that we have got to stabilize this price. We encouraged these people to raise hogs, and the hogs seem to be coming in all at once"—there was this year a large crop of hogs. And after a good deal of argument the packers agreed. When I say the "packers" I don't mean the big packers; I mean all the packers they called in, they agreed that they would pay 17½ cents for those hogs, beginning with week after next, or next week, I don't know the time—it may have been the middle of the week. They went back and they made the price of 17½ cents for hogs for that month. Then the packers paid 17½ cents for hogs, all the packers. I am talking about the Chicago basis now, and when I say "Chicago basis," other markets were relatively higher or relatively lower. Then at the middle of next month they got together—that price was only made for a month—and the next month they got together and made 17½ cents, and that has happened up to to-day. The price to-day is 17½ cents for hogs in Chicago. Now, they will get together pretty soon, I understand it is on the 28th of this month there is to be another meeting, and I saw by the paper this morning that the Food Administration recommended, or they think, that the price of hogs next month should be 17½ cents. Now, if they say that, that will probably be what the price will be.

Mr. WINSLOW. And every month you have been virtually under the direction of the Food Commission from month to month?

Mr. ARMOUR. Yes, sir; if we had done what we do now under natural conditions we would be violating the law. I mean we would have no right to say, "We will pay 17½ cents for hogs." It is simply a war condition that has brought that about.

Mr. WINSLOW. Well, that same war condition has brought about a manifesto from the Government urging upon everybody to get together and make prices?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. In direct violation of what we have been doing before.

Mr. ARMOUR. I am not criticizing that, because I think it is a good thing.

Mr. WINSLOW. Well, to get in line and follow the lead, you had to get together?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. Regardless of the situation.

Mr. ARMOUR. I will say this: That regardless of the price, it was most important that they did tell the farmers to get together and raise all the live stock they could, because at that time there was no one who knew how long the war would last, and there was a great demand for food products at that time. If there had been any let down in their getting food over to Europe the results of the war would not be the way they are now.

Mr. WINSLOW. Well, do you feel—how do you think the market will go if the food restriction, the influence of the Food Commission, is terminated?

Mr. ARMOUR. I beg pardon?

Mr. WINSLOW. In what direction do you think the price of pork products and so on would go now if the influence of the Food Commission should terminate?

Mr. ARMOUR. I think it would go very much lower temporarily; and then I think later in the season it would go very much higher. I think it would be a bad thing for everybody, especially for the producer, because if the restrictions were taken off probably the receipts of hogs would be so heavy that the packers would be able to buy their hogs for very much less, two or three cents less—perhaps 12 cents a pound—I don't know what it would be, but probably three or four cents less than they are being bought for now. But if what I understand is true, that would only be temporary, because there would be such large orders come in—I think it would help the packer; I think it might help the packer very much, because we would put in a lot of cheap stuff. We would have to take a temporary loss in the product we have on hand now, but we would more than get that back with a little patience. So I say for the country broadly it would be a very bad thing. I don't think it would hurt the packer one bit. It would hurt him temporarily, but it would not hurt him in the long run. He would buy a lot of cheap hogs and then when the demand came along the price would naturally go up.

Mr. WINSLOW. I don't want to ask you a question which will embarrass your own business in the light of your competition, but if the inquiry is proper outside of that consideration, I would like to ask you what percentage you estimate it costs you to sell your product, your production, on a percentage basis, or if you don't want to answer for yourself, for the trade in general.

Mr. ARMOUR. I am perfectly willing to answer that. I can say through our branch houses I think it costs us in the neighborhood of—well, I would guess 6 per cent—through our branch houses. More than half of our goods are sold through our branch houses. Well, they tell me back here that I am wrong. They say it costs them $3\frac{1}{2}$. I thought it costs 6 per cent, but I understand $3\frac{1}{2}$ per cent is the cost through our branch houses. But I will be very glad to

get you that accurately. If you want it in the minutes, I will be very glad to submit it to you accurately.

Mr. WINSLOW. In other words, it costs you to get your merchandise into the hands of the next owner $3\frac{1}{2}$, or whatever percentage it may be?

Mr. ARMOUR. That is the cost in the branch house.

Mr. WINSLOW. The selling price?

Mr. ARMOUR. Yes, sir. That doesn't include freight or anything else.

Mr. WINSLOW. No; I didn't have freight in my mind.

Mr. ARMOUR. I should think anywhere from $3\frac{1}{2}$ to 4 per cent.

Mr. WINSLOW. Three and a half to four per cent?

Mr. ARMOUR. I would think so.

Mr. WINSLOW. That is what it costs you for actual selling expenses for the transfer of your merchandise from the seller into the hands of the next owner?

Mr. ARMOUR. That is our branch house selling expense, and most of our goods are sold through our branch houses. The expense of operating all the branch houses that we have is figured there.

Mr. WINSLOW. Well, if anybody else has had any expenses in that, it is all rolled up in your general selling expense?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. And if your business is like most lines of merchandise business, you make a relation between your general expenses for doing this business and your selling expenses.

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. Now if that is about $3\frac{1}{2}$ or 4 per cent, that is the answer, or whatever you may substitute. Now, I wanted to bring out in contrast with that the wail which comes in behalf of the producer about the enormous expense that it costs him to sell his goods, and as near as I can find out one-half of 1 per cent is about the end of his selling expense.

Mr. SANDERS. That is the commission.

Mr. WINSLOW. Yes; commission.

Mr. ARMOUR. Well, of course—you don't want any opinion from me on that, do you?

Mr. WINSLOW. If I am wrong about it, I wish you would correct me.

Mr. ARMOUR. I don't know about that.

Mr. WINSLOW. That has been testified here by a lot of commission men.

Mr. ARMOUR. Of course, there is a regular commission charge that is made by the live-stock exchanges, and if a man ships his goods, ships his cattle, sheep, or hogs into the commission merchant, no matter who he ships it to, the price is the same for selling by everybody. That has been established by the commission men and also by the live-stock exchange. Each place has a live-stock exchange and they have the same price for selling live stock in the way of a commission, the same as if you go to a broker's office and buy stock of a railroad or anything else. Everybody pays the same price, and that price is made by the live-stock exchange.

Mr. WINSLOW. I have in mind at the present time, for purposes of future use in connection with this bill, the amount of money that was

actually passed over from one hand to another in the operation of marketing or selling the animals from the hoof to the consumer, to figure out the percentage of cost. Now, if yours is 4 per cent, there is one step. If it costs the packer or producer one-half of 1 per cent, which seems to be the amount, as I understand it was testified to by the commission merchants, plus some incidental expenses for buildings, and no more, there is that to consider, and then so on, whatever the retailer may have, until we get to the consumer.

Mr. ARMOUR. I don't know whether it would be possible, and I may be out of place in suggesting it, but I am going to, nevertheless. If it was profitable for this committee to take a trip to Chicago and go through one of the large packing houses and go through the offices—and we for one would be very glad to open not only our looks to you, but we would be very glad to show you the method—there has been so much talk and there has been so much unfair criticism about the packing industry that I don't believe any witness can come down here the way I have come, or anybody else come, and give you nearly as good information as you can see with your two eyes, and you would get some understanding of this great industry that there has been so much criticism of. And, in fact, all there has been, has been criticism. That is all there has been.

Now, if there was not something fundamentally very right about this industry; if our profits were too big, or if we did things wrongly, it doesn't seem to me that we could have lived all these years and been here in the community. Now, I may be wrong about that, but I don't think I am, and I don't know whether it is possible, but if you gentlemen could come to Chicago and see the processes and see the methods and see the branch houses, and how business is done through the branch houses, it would gratify me very much, because I think you would have a very much different idea of the industry, because I know it is so essential to this country and I know it is so natural for this industry to exist, because if it was not natural for it to exist it would have been out of business long ago. We have had so many people that get their name in the paper or do something—it is popular to jump on the packer. Now, we are not here for any other reason in the world except that we are a very essential industry in the country, both to the consumer and to the producer, and you asked me a little while ago—or I was asked a little while ago—if there was any way of stabilizing the price of cattle. Of course, if there was, I would be very glad to have some suggestion that would be useful, but in that connection I would say that I don't think that there has been any way of stabilizing any product that comes out of the earth, whether it is cotton, potatoes, peaches, or anything else. They have to take the market. There are good years and bad years. But that is getting a little way from what I started out to say. I don't know as it is possible, but if it were possible for you gentlemen to come to Chicago and see the workings, the ramifications of the packing business, I believe that you would see the reason for the packing business existing. Now, there is a good reason—and it must be a fundamental one or it would not be here—and just because somebody gets up and says this and says that, that doesn't mean anything at all except to the newspapers or people on the street to read it.

Mr. WINSLOW. One more inquiry, Mr. Armour. You, of course, are dependent on the railroads very largely for the success of your

business, both with respect to the tariff they charge you and the service they render—the transportation.

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. And you suffer according as you get good or bad service, prompt or tardy?

Mr. ARMOUR. Yes, sir.

Mr. WINSLOW. Have you noticed any difference in the service since the Government took hold of the railroads?

Mr. ARMOUR. I can not say we have. But it is not a fair criterion to compare now. We have had a very open winter, and the congestion that existed during the war, at the first beginning, is gone. Of course, when the railroads were taken over by the Government there was great congestion, and personally I don't think just because they were straightened out it was due to the Government running the roads. I think there were some very good economic things put in when the Government took charge of the roads, but they are run by the same people; there wasn't any change made except this interlocking change that was made by any road using anyone else's tracks. But we have had a very open winter now and the service has been very good, broadly speaking. But, of course, the service—there has been a very great let-up in the amount of traffic.

Mr. MONTAGUE. You mean freight traffic?

Mr. ARMOUR. Yes. I understood you meant freight service.

Mr. WINSLOW. Freight service; yes.

Mr. ARMOUR. But there has been, as you know, lately a great let-up in the amount of freight that they are carrying. Of course, when the war started every road was automatically congested, because they had to increase their tonnage so greatly.

Mr. WINSLOW. Would you feel, from your general business experience as a packer and as a shipper that in the long run the same argument which would hold good against the acquisition of the stockyards and their operation would hold good as against railroads and their operation by the Government?

Mr. ARMOUR. I would, with some qualifications. I would hate to see the railroads go—did you want my opinion?

Mr. WINSLOW. Yes; the opinion of Armour & Co., preferably.

Mr. ARMOUR. Do you want my opinion for the good of the country or for the good of Armour & Co.?

Mr. WINSLOW. Well, I suggest that as long as you put it that way you divide it an answer both questions.

Mr. ARMOUR. I don't suppose I was invited here to give an opinion for the good of the country, but I am perfectly willing to.

Mr. WINSLOW. Well, that is what this bill is ostensibly for, for the good of the country.

Mr. ARMOUR. Of course, I personally think that personal ownership is preferable to public ownership for some things—not everything, but for some things, including the railroads. I think that the personal service that the public gets, and the personal competition, the competition that naturally comes between railroads, is a good thing for the country; but it would be a very bad thing, in my opinion, to have the roads returned to their owners under the conditions that existed before they were taken over. I think the only thing that saved the roads from bankruptcy—every railroad in the

country—was the attitude that the Government took in taking over the railroads, because the minute they took them over they got living wages. They not only paid their men more, but they charged the shipper more, and the roads before they were taken over by the Government, the more business they did the more money they lost, and their rates were not adequate to cover their expenses, and I don't think any industry, whether publicly owned or privately owned, when they are run at a loss, is a good thing for the country.

Mr. WINSLOW. That is all I have, Mr. Chairman.

Mr. DECKER. What is the oldest packing company in the country. Mr. Armour?

Mr. ARMOUR. I beg pardon?

Mr. DECKER. What is the oldest packing company in the country?

Mr. ARMOUR. I don't think I know. You mean the oldest of the five big packers?

Mr. DECKER. That has been going through the years.

Mr. ARMOUR. You mean of the five big packers?

Mr. DECKER. No; all of them. They are all pretty big to me.

Mr. ARMOUR. Well, I don't know. I couldn't answer that. They are all pretty old. They all started about the same time. Armour and Swift started more or less at the same time. Morris started pretty near the same time, and I think there is not a great deal of difference between the ages of any of them. I would say possibly Armour & Co. may be a little older than Swift, but not much. They all started about that same time.

Mr. DECKER. Who established your company?

Mr. ARMOUR. My father.

Mr. DECKER. Did you have any uncles in the company originally?

Mr. ARMOUR. Yes, sir; three or four.

Mr. DECKER. Three or four?

Mr. ARMOUR. Yes, sir. I also had a brother in the company.

Mr. DECKER. Originally? You did not have a brother in the original company when it was started?

Mr. ARMOUR. No.

Mr. DECKER. I am not talking about who is in the company now: I am trying to get how your company got started.

Mr. ARMOUR. I think that was all explained in my opening statement, but I am perfectly willing to explain it again to you. My father started the company and I inherited it from him, my brother having died a year before my father.

Mr. DECKER. I have a reason for these questions. It is not simply idle curiosity.

Mr. ARMOUR. Have I answered the question?

Mr. DECKER. Yes. How old was your father when he started the company, do you remember?

Mr. ARMOUR. Well, he started about the time—I can figure it up for you.

Mr. DECKER. It is not important; if you remember about the time.

Mr. ARMOUR. I don't remember. He was a young man.

Mr. DECKER. He was a young man?

Mr. ARMOUR. Oh, yes.

Mr. DECKER. This is the point I am trying to bring out in the record: It is easy enough to take over a big institution and run it

for a few months after two or three generations of men have established it, but I wanted to bring out something about the growth of the company, with the idea in mind of whether it would have grown as much if the Government had established it in the first place. That is the point. In other words, your family has been a family of packers?

Mr. ARMOUR. Yes, sir; that is all we have done.

Mr. DECKER. Your father started it when he was a young man?

Mr. ARMOUR. Yes, sir.

Mr. DECKER. Are you the oldest brother in your family?

Mr. ARMOUR. I am the only one in the family.

Mr. DECKER. You are the only son of your father?

Mr. ARMOUR. The only one alive. There were two.

Mr. DECKER. And you have been president of the company since your father died?

Mr. ARMOUR. Yes, sir.

Mr. DECKER. The first company was started in Chicago, was it not?

Mr. ARMOUR. In Milwaukee.

Mr. DECKER. Your father, when he ran the company, didn't own any stockyards. Did you have stockyards then?

Mr. ARMOUR. Yes; they had stockyards then—no; he didn't own any stockyards, but there were not very many stockyards when my father started business, and there were not a great many places that we were interested in when he died. I don't mean that Armour & Co. was not very good sized; but we only had three places when he died—three packing houses. Do I answer your question?

Mr. DECKER. Yes. You did not tell in your statement, did you, the different by-products that had been saved and produced since the beginning of the packing business, or did you put that in?

Mr. ARMOUR. I did not put it in, but, of course, when the packing business started they didn't save much of anything. At the beginning of the packing business it was pretty profitable, and they didn't know much about saving things.

Mr. DECKER. The margin of profit, of course, was larger when the business first started than it was after so many people got into it?

Mr. ARMOUR. Oh, yes; of course, very much. Of course, the larger a business is the smaller the margin of profit is usually. It is in the packing business.

Mr. DECKER. The question of refrigeration—could you tell us briefly about the growth of that under the charge of your company since you have been in the business?

Mr. ARMOUR. Do you refer to cars only or all kinds of refrigeration?

Mr. DECKER. All kinds of refrigeration.

Mr. ARMOUR. When my father started they did not have much of any kind of refrigeration. They killed their hogs in the winter and their beef in the winter, and they used to put everything in pickle, and they would have what they called "weather packed," and that word meant that the weather packed it, because the weather was cold and it was weather packed. Then after a while they started the refrigeration and it became an all-year-round business. And then about that time—

Mr. DECKER (interposing). How did they start that refrigeration first?

Mr. ARMOUR. They built large buildings and cooled them entirely with ice. They used to cut the ice in winter and put the ice on the top of the building in a large receptacle, and the cold air would come down into the building.

Mr. DECKER. And they got the ice from the river or the lakes?

Mr. ARMOUR. Yes, sir; and they had no such thing as ice machines in those days.

Mr. DECKER. Who first started that plan of cooling meat with ice, do you remember?

Mr. ARMOUR. I think it was started by pretty much the same one—by all the packers.

Mr. DECKER. Somebody must have suggested it.

Mr. ARMOUR. I presume so; yes. I don't know just who it was. It may have been Armour & Co., or it may have been Swift. I think, as a matter of fact, it was Armour, but I am not sure about that. Then after they ran along that way for a good many years the ice machine was invented and, of course, it took a lot of room and space to fill with ice that was wasted. Then when the ice machine came along they used part ice machine and part natural ice, and now there is nobody uses ice.

Mr. DECKER. Do you remember who tried out the ice machine first?

Mr. ARMOUR. I really don't know. I couldn't answer that. I don't know who did—some of the big packers. It may have been a brewery; I don't know; but it was one of the things that came along and—

Mr. DECKER. And it took a good deal of money to try it out, didn't it?

Mr. ARMOUR. Oh, yes. They are not cheap; they are pretty expensive. Then the cars came along—the refrigerator cars.

Mr. DECKER. Do you know the history of those cars, who suggested putting on those cars—the railroads or your people?

Mr. ARMOUR. The railroads would not put them on. We asked them to put them on because in those days we had very little money. We did not have much money, and our business was growing pretty fast, and we really did not have—we would have been very glad if we could have had somebody to persuade the railroads to build the cars, but they wouldn't do it, so we had to go ahead at great sacrifice to the packers, because they were all poor in money; they had no money except what money they had great use for, and the packers built the cars, and that was the first beginning of shipping beef down East, and any distance away from the place it was killed. I will say, though, for your information, that the refrigerator car did not come for some time after the cold storage came for the keeping of meat. That was done for a long time before the refrigerator cars came.

Mr. DECKER. I understand the car was just a more sanitary and efficient way of distribution?

Mr. ARMOUR. Yes, sir.

Mr. DECKER. Well, I have been through the packing houses, but I have forgotten most everything I saw there. It seemed to me they saved everything except the squeal. You haven't gotten anything to save that yet, have you?

Mr. ARMOUR. No, sir; we haven't anything for that yet.

Mr. DECKER. There is nobody interested in your company now except the Armour family; isn't that correct?

Mr. ARMOUR. That is all.

Mr. DECKER. How much has the company grown in the last 10 years, in proportion; have you grown more in the last 10 years than you did in the 10 years before that?

Mr. ARMOUR. Do you mean in this country?

Mr. DECKER. Well, all over the world. I am speaking of your company now.

Mr. ARMOUR. Well, of course, we have grown very much in the last 10 years, if you include South America. We have only been in South America the last five or six years. I think the company has grown a great deal, a very great deal.

Mr. DECKER. Now, you say your company is capitalized for about a hundred and fifty-six million dollars. Now, I want to ask, just as one farmer would say to another farmer, "What are you worth?" What is your company worth? That is what I want to get at.

Mr. ARMOUR. Mr. Mayer says \$173,000,000.

Mr. DECKER. About a hundred and seventy million dollars.

Mr. ARMOUR. That is what he said; that is, if you are talking about this country.

Mr. DECKER. No; I want what you are worth all over the world.

Mr. ARMOUR. Well, I do not know. This statement covers the company in this country.

Mr. DECKER. Is it a separate company in this country from what it is in South America?

Mr. ARMOUR. Yes, sir.

Mr. DECKER. You have a different corporation down in South America?

Mr. ARMOUR. Yes.

Mr. DECKER. How much was your father worth when he went into the business, in round numbers? I do not want to be personal, but I would like to know, if you care to answer it.

Mr. ARMOUR. I do not know that I could answer that question. I was not around then.

Mr. DECKER. You are a public institution.

Mr. ARMOUR. We were not very large.

Mr. DECKER. Would a million dollars cover what he was worth then? That was a pretty rich man in those days, was it not?

Mr. ARMOUR. I really do not know how much he was worth; he did not have very much.

Mr. DECKER. What do you mean when you say the company in this country is worth \$170,000,000? Is that mostly in good will and the ability to make a reasonable per cent on \$170,000,000, or have you tangible assets?

Mr. ARMOUR. I think I can answer that best by asking you to look at our last year's statement, which I think will answer every question you want to ask, if you have not already seen it. No; there is not any good will in there at all.

Mr. DECKER. You say there is no good will in there. I do not mean water. But if you have not got your good will in there, you are worth a whole lot more than is in that statement?

Mr. ARMOUR. No; because you do not earn on good will in our business.

Mr. DECKER. Why not?

Mr. ARMOUR. I do not know why; but if a fellow only earns 8 and 10 cents on every dollar, and 9 per cent on his total investment, his good will is not worth anything, because if you put your good will down it would cut down your percentage of profit so low that nobody would want it if you tried to sell it.

Mr. DECKER. Do you not think 9 per cent is a good profit on your investment?

Mr. ARMOUR. No; on a manufacturing business most decidedly not; I consider it very low on a manufacturing business and on a risky business.

Mr. DECKER. You get your salaries, besides that 9 per cent, do you not?

Mr. ARMOUR. Yes; I get a salary.

Mr. DECKER. Do any other members of the family get a salary?

Mr. ARMOUR. No; well, I guess they get salaries if they are worth them.

Mr. DECKER. I do not mean they do not earn them.

Mr. ARMOUR. No; they get salaries. I am perfectly willing to tell what my salary is, if you want to know.

Mr. DECKER. I would like to have somebody to do as well for me as you have done for your family. I do not mean to intimate that you have not earned your salary.

Mr. ARMOUR. Perhaps you would like to know what my salary is.

Mr. DECKER. I do not care to ask you that.

Mr. HAMILTON. I will ask you, then.

Mr. ARMOUR. \$15,000 a year. I am very glad to tell you that.

Mr. HAMILTON. I am not interested.

Mr. ARMOUR. I think you should be interested, because there have been a lot of intimations and insinuations that there were big salaries paid to the packers. It came out in every paper in the Union that the packers paid themselves big salaries and thereby concealed some of their profits. That is why I am glad to tell you what my salary is. I think I might go out and get a salary somewhere else as good as that. I do not know; perhaps somebody else might not think I am worth that, but I do not think it is excessive. In fact, for many years I did not draw any salary at all. I tell you that because there have been just some such insinuations that have gone out, that are hurting the industry, and they are going to hurt the people. That is all. Insinuations have gone out that the owners of this business draw big salaries and thereby they can afford big salaries, because they are paying them to themselves and they are getting it back in the way of dividends. Now, that is not true. You have read that?

Mr. DECKER. Yes.

Mr. ARMOUR. It has been in every paper in the Union. That is unfair; it is just another unfair thing that has been said against the packing industry, and if the packing industry does not prosper the live-cattle industry will not prosper, and I do not think, after all is said and done, anybody can say, even the people that are against us—and they do not know—even the people that are trying to pull down the industry and are unfriendly to us, can say the packers.

profits have been excessive as compared to any other industry. I say the packers' profits are less than the profits in any other industry. For instance, I would like to tell you this, our inventory of products, supplies, material, and everything else on November 2 was \$150,000,000. Now, you know a fellow could lose \$15,000,000 or \$20,000,000 on that overnight if he did not know what he was doing. I suppose you know that, but I say that if the fluctuations were very great the amount of product that the packers have to carry on hand, the percentage of profits they make is very, very small, and I do not know of any other industry that requires the money put back into the business that the packing business requires to make 9 per cent on their total investment, and the only reason that it pays is because they do such an enormous business. If we did a small business, 9 per cent would not satisfy anybody; it could not.

Mr. DECKER. I would like to ask you to make some suggestions. You asked a question in response to somebody, as to whether they wanted you to state whether it was a good thing for Armour & Co. or for the country. I would like to have you, in just a frank way, state whether you have any suggestions for the good of the industry or the good of the country in connection with this industry, anything you may have to state, because it is just as much your country as it is our, and if you have any suggestions we would be glad to have them, and the country would be glad to have them.

Mr. ARMOUR. That is a very difficult thing to answer. After all is said and done, the function of the packer is simply to buy the live animal and sell the prepared meat or the prepared goods, which they are doing. Now, that is done on a very, very small margin of profit. Theoretically a man could probably make some suggestions, but whether they would be practical or not would remain to be seen, and I do not know that I know just what those suggestions should be, offhand, now, because I did not know that I was going to be asked to make suggestions as to the future of the business. I naturally and very honestly think that as far as the packing business goes the percentage of profit that remains with the packers does not hurt the producer or hurt the consumer.

That does not say that prices are too high or too low. That might happen, too; prices might be too low and they might be too high; but the packers' job, what they are asked to do, whether the Government owns the packers or anybody else owns the packers, can not be done on less than it is now. I know. I do not say I think at all; I know. You may think I have a good deal of nerve to say I know, but I think I do if I know anything at all.

Mr. DECKER. In the first place, I think you could serve the committee more if you would keep away from the impression that we are hostile to you.

Mr. ARMOUR. I did not suppose I had given that impression.

Mr. DECKER. You do give that impression—that you are on trial. You are not on trial with us, any more than any other citizen would be.

Mr. ARMOUR. I did not say I was on trial here. I do say I am on trial with the Federal Trade Commission, and I have every reason to say that, because of their attitude. I am not on trial here. In fact, I think all you gentlemen have been most friendly and courte-

ous to me, and I am sorry if my attitude has appeared that way. It has not been my feeling at all; but I do say, and I am justified in saying, that I have been on trial, without a chance to be heard, by the Federal Trade Commission.

Mr. MONTAGUE. You mean by the Federal Trade Commission?

Mr. ARMOUR. Yes.

Mr. DECKER. Let me ask you about that investigation. Did they ever give you a chance to tell them what you are telling us?

Mr. ARMOUR. No. One day I came down to Washington with Mr. Mayer, and we called on the Federal Trade, and there was Mr. Colver and Mr. Fort there, and I tried to tell them something about the business. They heard that, and that is all. But what I complain of, and I think justly, and you would do the same thing if you were in my position, is this trial through the newspapers, and saying, "Of course, the packers are thus; we found this, and naturally is not that so; are not the packers thus and so?" You have seen that; and I claim that is unfair.

Mr. DECKER. Yes; that is unfair.

Mr. ARMOUR. Because it creates a prejudice in the minds of the people that should never exist. There is no reason for its existing. They have started out to hurt the packers—God knows why; I do not know. Perhaps they think they are doing something for somebody, but they are not.

Mr. DECKER. Did any of the newspapers give you a chance to tell your side of it?

Mr. ARMOUR. No. I am not going to mention names, but we gave out a few statements once in a while through the newspapers.

Mr. DECKER. How did you do that; did you have to advertise?

Mr. ARMOUR. No; the Chicago papers took it.

Mr. DECKER. The Kansas City papers would take it?

Mr. ARMOUR. I do not know; I guess so. It went out over the news.

Mr. DECKER. The Kansas City Star would state anything on the front page that any packer had to say about an industry in Kansas City?

Mr. ARMOUR. I do not know. We sent it through the Associated Press.

Mr. MAYER. May I be permitted, Mr. Armour, to answer that question?

Mr. ARMOUR. Yes.

Mr. MAYER. I made a special trip, gentlemen of this committee, to the general manager of the Associated Press, Mr. Melville E. Stone. I went to New York to see him. I had a right to see Mr. Stone, because for some time my firm had been at times of counsel for the Associated Press in Chicago, when it existed and did business in Illinois as an Illinois company. I knew Mr. Stone so well that we called each other by our first names, and I have known him many years. I told him the way in which the Federal Trade Commission was proceeding, the manner in which it was examining witnesses without permitting us to attend to examine or to cross-examine or explain or answer, was a gross injustice, a very serious injustice. He seemed to agree with me. We came to an understanding—I thought we did, that is—that we might reply to the day's proceedings

before the Federal Trade inquiry. You may remember that at that time inquiries were proceeding all over the country, in Boston and New York, in Philadelphia and Chicago, and possibly farther west. After I returned home I received a letter from the assistant manager, Mr. Martin, saying that they could not consent to the packers, or Mr. Armour, or me speaking for Mr. Armour, making any statement unless—and in that I do not mean to criticize him; I think he was right on reflection—unless he could report our statement as given in an open hearing. In other words, that the Associated Press, which we all know is the great instrumentality for the distribution of news throughout the country, some 2,000 papers, could only publish testimony or statements made before a public body, as Mr. Armour has been giving his testimony here.

Thereupon Mr. Armour and I went to Washington. We saw two members of the Federal Trade Commission, both honorable men, both meaning to do right as they see it, and explained to them; and, gentlemen of the committee, I wrote a personal letter to the President of the United States upon the subject. We could get no publicity in any way, except occasionally Mr. Armour would issue a statement of 5 or 10 or 20 lines denying some particular charge of some heinous felony which the Federal Trade Commission and examiners were exploiting in their propaganda to the public. We could get no opportunity, and when this committee was appointed Mr. Armour and I, as his attorney, hailed with pleasure that words can hardly describe the opportunity which Mr. Armour would receive at your hands, for the first time in his existence, an opportunity to tell the facts to the people.

Mr. ARMOUR. That is the real history of it.

Mr. DECKER. Have you ever thought, Mr. Armour, what would be the effect on a big industry like yours if there were some instrumentality of the Government for stabilizing the market? For instance, you spoke approvingly of what the Food Administration did, about fixing the price of hogs to stimulate the production. When you are dealing with an essential food supply like meat, would it be possible, do you think, to fix a price, or stabilize it, whatever you may call it, in time of peace? It would not affect your business, would it?

Mr. ARMOUR. You see, the Food Administration is in a different position than the Government or anybody else would be in time of peace. The reason the Food Administration can fix the price of meat and hog products is because they also have the giving out of the orders. As I say, all we want is to know that we can sell our product. Now, if there is some arrangement that can be made to fix the price of live stock according to what it cost to make it, we would be glad to enter into any arrangement of that kind, providing we would know that we could sell our products and the price was not fixed so high that the consumer would not eventually buy it. As an illustration, you will see from our statement that we have \$150,000,000 worth of supplies and different things on hand. That represents a great many million pounds of meat. The Food Administration can fix the prices, because they have the giving out of enough orders from the foreign countries and from the United States, orders that go through their hands, that will take a certain amount of that

product off our hands at a certain price, so that we are willing to run the chances of selling the rest through our different channels. Do I make that plain?

Mr. DECKER. Of course, that does not apply to your industry any more than it does to grain and bread.

Mr. ARMOUR. We are not alone in that.

Mr. MONTAGUE. And to coffee in Brazil; they have tried it down there.

Mr. ARMOUR. They have tried it down there; yes. And I am told that it is going to cost the Government a great deal of money as a result of the fixing of the price of wheat; I mean, they will not be able to sell this wheat. I do not say it was not a good thing to fix the price of wheat; I think it was. If you fix the price of wheat or corn or anything else at a certain figure and you are not able to have somebody come and eat it up, you are left with a lot of high-priced material.

Mr. DECKER. And the taxpayers have to make up for it?

Mr. ARMOUR. Absolutely, somebody does. But I do not say that there is not something that can be worked out on that line. It might be infinitely better if there were some way that would allow the packers and the producers to get together and arrange for a certain period a price. Of course, we can not do that after the war is over. It is done for us now, but the minute the packers and the producers should get together it would be against the law. Suppose we wanted to get together, the producers and the packers, and after the war was over the producers would say, "We want you to pay 10 cents for hogs." and the packers would say, "All right, we will start off with 10 cents and see how the trade is." That might be greatly to the benefit of the country, and still it would be against the law; we could not do it. You know that. We could not do it, and still it might be a very beneficial thing for the country.

Mr. DECKER. I think that is all.

The CHAIRMAN. Mr. Dillon, have you any questions to ask? There are six members of the committee who have not had opportunity to make inquiries yet, and I hope you will use as much dispatch as possible.

Mr. DILLON. I will not take very long if the witness will make his answers responsive. Mr. Armour, I understood you to say you had no opportunity granted you for a hearing by the Federal Trade Commission?

Mr. ARMOUR. We did not get any hearing; no.

Mr. DILLON. You permitted them to examine your books, did you?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Did that include your files?

Mr. ARMOUR. Yes.

Mr. DILLON. I notice in the report of the Federal Trade Commission various documents that came from the packers tending to show, as claimed by the commission, a combination. How did the Federal Trade Commission get those documents?

Mr. ARMOUR. I do not think they ever did get any documents to show a combination.

Mr. DILLON. You have read some of these documents that they print in the report, have you not?

Mr. ARMOUR. Yes.

Mr. DILLON. You do not know how the Federal Trade Commission got those documents or letters?

Mr. ARMOUR. They got them out of the files, I suppose.

Mr. DILLON. Do you think the packers voluntarily surrendered all these documents referred to by the trade commission?

Mr. ARMOUR. Why, yes. Of course, I am talking for Armour & Co.; I do not know about anybody else.

Mr. DILLON. I do not find any documents coming directly from the Armour Co.

Mr. ARMOUR. Then I do not know anything about that.

Mr. DILLON. But I do find them from some other of the packers.

Mr. ARMOUR. I could not answer as to them.

Mr. DILLON. And it seemed strange to me that the Federal Trade Commission had secured those documents. Now, I want to know about how the price is fixed in the Chicago market for the buying of stock. I want to get that clearly before the committee.

Mr. ARMOUR. It is not fixed.

Mr. DILLON. How is it arrived at from day to day?

Mr. ARMOUR. It is fixed by the supply and demand.

Mr. DILLON. Let us get at just who sends out the report and how they arrive at the amount of the bid that is to start each day.

Mr. ARMOUR. Our buyers go out and bid what they think they can buy the cattle or the hogs for.

Mr. DILLON. Who are the parties that initiate the price-fixing arrangement for the coming day?

Mr. ARMOUR. There is not any price-fixing arrangement and there is not anybody who initiates the price. That rests entirely with the man who goes out and does the buying, our different buyers.

Mr. DILLON. Now, all these commission merchants in Chicago belong to a live-stock exchange?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Have you a representative upon that exchange?

Mr. ARMOUR. I think so; we have members of it; yes.

Mr. DILLON. Is there any commission man on the market in Chicago who does not belong to that exchange?

Mr. ARMOUR. I do not think there is, but I do not know.

Mr. DILLON. What is the price for a seat in that exchange, or ownership of stock entitling a man to admission to that exchange?

Mr. ARMOUR. It used to be \$100; I do not know what it is now. It may have gone up. I do not know.

Mr. DILLON. How many men of your company are in that stock exchange?

Mr. ARMOUR. Well, I do not know. Our buyers are members of the exchange; maybe 5, maybe 10, maybe 15.

Mr. DILLON. All of the other packers, I understand, also have membership in that exchange?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Under the rules of that exchange the commission rates are fixed?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. No member of that exchange can make a reduction of his commission?

Mr. ARMOUR. I understand not.

Mr. DILLON. He can not even shade it to the extent of a telegram. can he, under the rules and regulations?

Mr. ARMOUR. I do not think so, but I am not sure.

Mr. DILLON. That is the way I understand; that is the same in reference to chambers of commerce.

Mr. ARMOUR. I think that is right.

Mr. DILLON. And also the grain exchanges. Now, under those rules and regulations, where the market is left off upon the day it is taken up again at the same price the next day, is it not?

Mr. ARMOUR. Well, of course, yes; broadly speaking, every day has its own price, because it depends entirely upon the supply.

Mr. DILLON. Under those rules and regulations can anybody bid above that price before the market opens on the following day?

Mr. ARMOUR. Well—

Mr. DILLON. I have made somewhat of a study of these grain exchanges, and I want to see how closely these live-stock associations are similar to the grain exchanges.

Mr. ARMOUR. I will tell you. The grain exchanges and the live-stock exchanges are two different things. There are all kinds of live stock, and there are not any different kinds of grain, because you buy wheat and pay \$1.50 or \$1.75 for it. I do not mean that there are not different grades of wheat, but there are all different kinds of grades of live stock, and the prices paid to-morrow have no reference to the prices paid yesterday.

Mr. DILLON. For instance, the low price closes. Now, to-morrow morning, before the market opens, can a commission man that belongs to the live-stock exchange go out and offer an increased price over yesterday's price, before the market opens?

Mr. ARMOUR. Yes; there is no time for the market to be opened in the morning, but there is a time for the market to close at night. I understand they try to close at 3 o'clock. A man can go out at daylight and buy cattle at any price.

Mr. DILLON. That answers my question. I do not think that is true on the grain exchanges.

Mr. ARMOUR. I do not know.

Mr. DILLON. You are interested in numerous markets?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. What instructions do you give each of those markets upon early morning?

Mr. ARMOUR. We have a head buyer in Chicago, who buys all our hogs. We have one man who is our head hog buyer, and we have a head cattle buyer and another man who is our head sheep buyer, and at all the different markets we have a staff of buyers, and all the cattle buyers are under the direction of our head cattle buyer in Chicago. and I know he does not give any instructions, except if he sees the run is pretty heavy he might say, "I think you ought to buy cattle lower," but he does not give the price to be paid for cattle.

Mr. DILLON. Are you sure of that? The reason I want to impress that on your mind is that this Federal trade report controverts your position on that.

Mr. ARMOUR. I am absolutely sure. I am absolutely sure the man in Chicago does not tell a man anywhere else what price to pay for

stock. He only states in a very general way, "You ought to buy cattle lower or higher."

Mr. DILLON. The report, then, is based upon the instruction to pay higher or lower. Does the head buyer for the cattle say to lower the price?

Mr. ARMOUR. He may say so and it still not be lowered.

Mr. DILLON. Does he also say to raise the price?

Mr. ARMOUR. He does not say that in those exact words.

Mr. DILLON. What I am getting at is how your buyer in Sioux City will know what to bid unless he has some instructions from your central office?

Mr. ARMOUR. He does not get any instructions. He has to buy cattle on the Sioux City market at about what they are worth. If he tries to bid lower than they are worth, somebody else comes in, either at Sioux City or from somewhere else, and buys them, either on the Sioux City market or at some other place and ships them alive. Those orders are given our cattle buyers—only general orders. A man buying cattle in Sioux City or in Omaha has got to buy them on the market. He does not get any orders as to what to pay for them. If the man who is buying cattle does not know how to buy them, he does not hold his position very long; we will have to get somebody else.

Mr. DILLON. Your packing associates have similar methods to those you have described?

Mr. ARMOUR. I would naturally think so; that would be the natural way of doing things.

Mr. DILLON. I want to call your attention now to a statement that you have made on page 50 of your printed original testimony. Speaking about the Denver transaction you say, starting at the bottom of page 49:

In July, 1912, the laws regarding corporations and such were so interpreted as to make it necessary for the various packers to discontinue the joint ownership of the national, and so the concern was voluntarily dissolved and its component parts were distributed among the owners with the knowledge and approval of the Government. The holdings in Denver were divided thus: Bonds on the stockyards to Morris & Co., common stock of the yards equally between Armour and Swift and the two plants—one to Armour and the other to Swift.

That is correct, is it?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, there is a letter here that has been called the "fifty-fifty letter." You remember that?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. In that letter, purporting to come to you from P. D. A., which I take it to be Armour—

Mr. ARMOUR. That is my nephew.

Mr. DILLON. In that he says: "Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours, both as to the size and condition."

He means by that that Swift & Co. got a better plant than you got in the dividing up. You backed that up and you confirm that?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Reading further, the letter says: "Of course, as you know, everything here is done on a fifty-fifty basis, and with the facilities we have it is almost impossible to keep up this ratio." You did

not make it plain yesterday as to what you mean, or what is meant by that fifty-fifty basis. I wish you would explain further.

Mr. ARMOUR. When the National Packing Co. was in operation there were two packing houses at Denver, one called the Colorado Packing Co. and the other called the Western, and these packing houses were run by the National Packing Co., and the amount of business done by each one, although one was a little larger than the other, was practically the same, if not the same; and on the dissolution of the National Packing Co. Morris took the bonds on the Denver stockyards, and we took the Colorado Packing Co., and Swift took the Western Packing Co., and naturally when Swift took his and the Armour Co. took theirs we naturally wanted to do the business that was done by the National Packing Co. with these houses, and that was on an equal basis, and we ran along and did it that way. We, of course, might naturally, as I think anyone else would in taking a house, would do the same kind of business that company was doing when they were under the management of the National Packing Co., and that is what he meant by fifty-fifty.

Mr. DILLON. Did he not mean this, to put it in my language: That your institution was getting one-half of the cattle purchased, and that Swift & Co. was getting the other half of the cattle purchased.

Mr. ARMOUR. Buying it, yes; buying it—not getting it.

Mr. DILLON. I mean, buying it?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. You insisted; and they always insisted that in certain markets you must have your share in it?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. And the share in Denver was 50 by 50?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, your nephew was saying to you in this letter that in order to hold that and avoid a row, you must increase your facilities there or improve your property?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Is not that the correct interpretation of his letter?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Well, that is my interpretation of it.

Mr. MONTAGUE. How many packing houses were there?

Mr. ARMOUR. Two.

Mr. DILLON. Now, I got to Fort Worth, Tex., and there is a plant which you own, and there is also a plant owned by the Swifts. You both went in there at the same time?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Your plants were about equal in size?

Mr. ARMOUR. They were equal in size.

Mr. DILLON. And the arrangement at Fort Worth, Tex., was that you should have about half the purchases, and Swift half, approximately? You insisted upon that, did you?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. And Swift insisted he was entitled to a like portion?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. There were no other packers there at Fort Worth except you two institutions?

Mr. ARMOUR. That is correct.

Mr. DILLON. I see you answered to some of the questioned propounded, or statements arrived at, by the Federal Trade Commission. The first is in reference to splitting shipments.

Mr. ARMOUR. What page is that on, Mr. Dillon?

Mr. DILLON. On page 52. You mean by split shipments that a shipper will send a certain portion of his shipment, say, to Sioux City, and a certain portion to Omaha? That is the meaning, as illustrative of what is meant by splitting shipments, is it not?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, if that shipper does not sell his stock upon the Sioux City market, he may possibly ship to Omaha?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Your company then informs the Omaha Stock Exchange, or you inform your institution by telegraph of that shipment?

Mr. ARMOUR. I think so; yes, sir.

Mr. DILLON. Do you think that is fair?

Mr. ARMOUR. Why, most decidedly. If there is a shipment, we do not know whether it is a split shipment or not. We naturally would tell a man when any cattle was shipped from Omaha or Sioux City to Kansas City where we have a plant; it is part of our business to tell him what the cattle were bringing there.

Mr. DILLON. And if the cattle leaves you for a better market, you give the information as to where you think they are to go?

Mr. ARMOUR. It must be a better market or the man hopes it will be a better market.

Mr. DILLON. He hopes that, naturally.

Mr. ARMOUR. Yes, sir.

Mr. DILLON. And he may realize his hopes or may not.

Mr. ARMOUR. Yes, sir.

Mr. DILLON. You instantly, by telegram, give information to the city to which he has shipped?

Mr. ARMOUR. I think so; yes.

Mr. DILLON. Now, I want to divert a moment and put a concrete case to you as to how the lumber people do business likewise. For instance, in some towns in South Dakota there are lumber dealers, and I will say in a certain town there are three lumber houses. A man goes to one plant and they give him a statement as to what they will furnish that bill of lumber for. He takes that statement and starts out to another plant, and in the meantime that first company telephones to the other company that the man is on the road, probably, and that a certain price has been quoted for this bill of lumber.

Mr. ARMOUR. Do you mean this same company or to somebody else?

Mr. DILLON. He telephones to the other company and there are three companies in the same town. Do you think that that is bad business dealing?

Mr. ARMOUR. That is entirely different.

Mr. DILLON. Well, wherein it is different?

Mr. ARMOUR. Well, because in that case he does not telegraph his own company. He telegraphs, or, rather, telephones to somebody else. That is an entirely different case and has no bearing in my opinion on this matter because it would not be an identical case at all.

Mr. DILLON. Wouldn't it have a tendency, although it might be remote, to show that there was cooperation between those companies?

Mr. ARMOUR. I think it would have a great bearing to show that there was cooperation between those three companies.

Mr. DILLON. As to the lumber companies?

Mr. ARMOUR. Yes, sir; I think so. But we do not telegraph to other companies. We telegraph to our own company, to Armour & Co. These gentlemen are interested to know, for instance, if they had bid 13 cents on cattle at Sioux City and that didn't satisfy the owner. It is natural that he would want to know if he made his bid too low. He would say, "I bid 13 cents on Bill Smith's cattle"——

Mr. DILLON (interposing). Who is he telegraphing?

Mr. ARMOUR. We telegraph our own house only.

Mr. DILLON. Taking the lumber yard proposition which I have submitted; where there are three in the same town and one telephones to the other as to the bid he has offered, and when the man goes to the second lumber yard the price quoted is substantially the same or a little lower or a little higher, would you think that was rather prima facie evidence, so to speak, of a combination among the lumber yards in that town?

Mr. ARMOUR. Well, of course, I can not answer about that, because I do not know anything about the conditions of the lumber business. I can only answer, and I am not trying to evade your question at all, but want to answer it, but as I say I can only answer about our business, and that if there is a bunch of cattle that was offered to our man at 13 cents, and he thought they were too high, say in Sioux City, and they were shipped to Kansas City or to any other market, it would be our man's duty to wire our head buyer and say, "I have offered 13 cents for these cattle but I couldn't buy them and they have gone to Kansas City."

Mr. DILLON. And Swift does likewise?

Mr. ARMOUR. I do not know what Swift does.

Mr. DILLON. Do you think that other packers probably do the same kind of business?

Mr. ARMOUR. I think it is quite likely.

Mr. DILLON. That is what the Federal Trade Commission says.

Mr. ARMOUR. But, listen, there are some things that are legitimate and some things that are not. If you own a packing house, or a store, or anything else, you naturally know what you want to bid for goods. If you own a hat store you know what you want to bid for hats. That would be quite natural, I think. Our cattle buyer at Omaha, or at Sioux City, might have bid too low, and when the cattle arrive there we might be willing to bid more, and we might say, "You are not bidding the market on the cattle. You ought to have bid more and bought those cattle and not let them get away."

Mr. DILLON. On page 52 you say:

It is true, however, that if the buyer at Omaha should get the cattle for \$13 a hundredweight while the man at St. Joseph paid \$13.10, their boss would want to know how his buyers came to differ so much as to the value of the animals.

Now, isn't that a combination on your part, or possibly you did not mean that and would like to correct it. How about it?

Mr. ARMOUR. No; I think I mean just exactly that.

Mr. DILLON. Well, let us analyze that a little.

Mr. ARMOUR. You want to know what is meant by the statement:

It is true, however, that if the buyer at Omaha should get the cattle for \$13 a hundredweight, while the man at St. Joseph pays \$13.10, their boss would want to know how his buyers came to differ so much as to the value of the animals.

Is that what you want to know about?

Mr. DILLON. Do you say without any instructions from your Chicago office your St. Joe office and your Omaha office would know identically what each animal is worth upon each of those markets?

Mr. ARMOUR. No; but he would know in a very general way. I do not know how much you know about buying cattle and I say this, very respectfully, that cattle buying is not done by any order to pay 13 cents or 12½ cents or 14 cents a pound for them. There are all kinds of cattle. You might buy some cattle at 13 cents a pound and it would be very high for them, and other cattle you might pay 13½ cents for and they might be cheap. I do not know whether I explained the matter to you properly but I want to do it if I can.

Mr. DILLON. You say, "their boss." What do you mean by that, your Chicago man?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. If there is a difference of 10 cents between the bid of your St. Joe and your Omaha yard per hundredweight your boss in Chicago would want to know how his buyers came to differ so much as to the value of the animals?

Mr. ARMOUR. Yes; and the boss in Chicago might be wrong at that. The cattle bought at \$13.10 per hundredweight might be the cheapest cattle. They have two ways of judging cattle. They judge them alive and also they judge them when they are killed. They get the dead-weight on them then. Sometimes their judgment made when alive is not always verified by the result shown when the cattle are killed.

Mr. DILLON. Now, you say further along, a couple of lines lower:

If the man at Omaha calls them "good" and the man at St. Joseph regards them as "prime" there is something wrong with the judgment of one of them and only the dressing percentages will decide the true grading.

What about that?

Mr. ARMOUR. Well, that is the answer. Those last lines are the answer to the proposition.

Mr. DILLON. Do you claim that your buyers, without instructions from your head man or boss, bid so closely as that upon these various markets?

Mr. ARMOUR. Yes, sir; good cattle buyers can.

Mr. DILLON. And then you say further, here, at the top of page 53:

It is to the benefit of the growers that a good steer in one market will be rated as a good steer in another. * * *

Now, don't that mean that the price should be the same?

Mr. ARMOUR. Why, yes; there isn't very much difference in the price of the same grade of cattle. And they must be about the same in one market, according to the day they are sold.

Mr. DILLON. "And split shipments furnish one of the best ways to keep our buyers on their toes and their judgment keen." What about that?

Mr. ARMOUR. You see, Mr. Dillon, that if a man starts out buying 10,000 cattle on Monday, or if Armour & Co. want 10,000 cattle on Monday, we can not afford to buy 4,000 of those cattle in Omaha, or 2,000 of those cattle in Omaha at a very much different price or on a very much different basis than we buy the other 8,000 cattle at the other markets. Do I make that plain to you?

Mr. DILLON. Yes; I think I understand that.

Mr. ARMOUR. So the man has, naturally, got to have information. I don't know whether you are a cattleman or not, but I want to explain it, and it will be difficult to explain it unless the man is a live-stock man, so that he will quite clearly understand it.

Mr. DILLON. I think you cover the same point where you say, further down:

The selfish interest of each market, therefore, is to keep informed as to prices paid in other markets, so that the different markets will not lose their patrons.

Mr. ARMOUR. That is it, sir.

Mr. DILLON. That is the object of your head man in Chicago?

Mr. ARMOUR. For instance, we may buy 10,000 cattle or 20,000 cattle in one day. We may buy them at four or five different places. It is the business of the head man in Chicago to see that the cattle we buy in Kansas City and in Omaha do not vary very much, that they are bought in line with the general market that we go by, because if the Omaha market were high we would have a loss on the cattle in Omaha if we bought there, or if the Omaha market were high we would buy less cattle in Omaha and fill the quantity up by buying more somewhere else.

Mr. DILLON. Further on you give the form of a telegram. This form is as follows:

John Jones shipping a carload of cattle to your market. We bid 13. Would like to know what they bring.

Why is it that one office wants to know what the other office is paying when you have a central office to cover that information in Chicago?

Mr. ARMOUR. Well, of course, the man who buys cattle at the place from which those cattle are shipped would want to know whether he bid too little or whether his market was in line, or whether he ought to have bid more. Of course a man's judgment is not always correct. In other words, if I were buying cattle in Omaha, and if those cattle were shipped from Omaha to Chicago, and I bid 13 cents, it is only natural that I will want to know whether I paid the right or the wrong price as to the market to which they go.

Mr. DILLON. I find another article about the Federal Trade Commission on page 54, about the middle of the page, where you say:

Some days we do not go out very early, because the run of stock may be late in getting in; for example, if the run is posted for 20,000 and it is apparent that there are only 3,000 unloaded and ready to be offered for sale, and we do not particularly need cattle at an early hour that day, it is natural and a matter of common sense that we delay going out into the pens until such time as a better selection awaits us.

I take it that a situation of that kind would apply to Fort Worth and Denver, where there are only two stockyards.

Mr. ARMOUR. Only two packing houses, you mean. There are more than two buyers there, however; but that is neither here nor there.

Mr. DILLON. Well, I have these percentages that I will read a little later. Assuming that there is no institution there that buys any substantial amount of the product. Those institutions that go upon the market every day have it all their own way, haven't they?

Mr. ARMOUR. Well, if you take it for some one day, I might answer yes; but you know the packing business is not a one-day business. It is just as much to our interest to have the cattle market at Fort Worth and Denver in line with the other markets as to the interest of anybody else. In fact, it is a great deal more to our interest to have them in line. If they were not, and there were not other buyers there, the owners would ship their cattle out and leave. So that is a theoretical complaint that doesn't really amount to anything, even if it is a complaint.

Mr. DILLON. Well, now, the Federal Trade Commission says that all the five packers come in it the same time, even when they have selected a late hour in the day. Why is that?

Mr. ARMOUR. Well, I will tell you that there isn't anything to that.

Mr. DILLON. Isn't there?

Mr. ARMOUR. No. I will tell you why.

Mr. DILLON. Well, I want to get these questions answered.

Mr. ARMOUR. The Federal Trade Commission laid great stress on our going out late in the morning. Their reason, as stated, was that there might be a very heavy run for that day. We know, and everybody knows, at the stockyard at 7 o'clock in the morning how many cattle will be on the Chicago Stock Yards market that day. Now, our buyers and your buyers and anybody else's buyers—and it doesn't make much difference whether they go out at 9 o'clock in the morning or 10 o'clock in the morning, they know how many cattle are going to be on the market. They would buy them on the same basis, whether they would go out at 9 o'clock or 10 o'clock, because they know there are so many cattle coming in and they are going to have a chance at some time during the day to buy those cattle.

Mr. DILLON. It is not the purpose of the packers going together late in the day to allow the local bidders to have an opportunity to first get their share upon the market, is it? That is not the object?

Mr. ARMOUR. Oh, no. You see, suppose there are 25,000 cattle at Chicago on Monday, or 40,000, which is a good run, or if there are only 20,000 cattle, and if there is a light run of cattle, if you go early you may get the cattle, but if you go late it does not prove anything.

Mr. DILLON. I want to call attention to your statement on page 56:

Our own men get the live-stock purchases at the various stockyards, and we know at the close of the day whether we have bought as many or more cattle than each of our principal competitors.

Why do you get that information?

Mr. ARMOUR. Why, just the same as we want to do our share of the business at Denver or Fort Worth.

Mr. DILLON. Your object is to know what portion of the business your opponents are getting?

Mr. ARMOUR. Yes, sir; and that is a very good answer to it.

Mr. DILLON. And you have to do that in order to hold your share of the business?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. I can see that.

Mr. ARMOUR. And I will say further that in every evening paper in Chicago, as well as in every morning paper in Chicago, those same purchases of live stock are all given out. They are public property. Anybody can get them.

Mr. DILLON. Then on the same page I find this:

If our place and rank in the trade is at a certain point, while that of one of our competitors is at a certain point below us, we watch him to see that he does not close up the gap and gain on us; and no doubt he watches us to see that we do not get far away from him.

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, that watchfulness relates, does it not, to your insistence that you are going to have your share of that trade?

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, you come to the other side of it, for instance, where the shipments are immense, and you are overstocked, you do not want the stock in a case of that kind.

Mr. ARMOUR. Yes, sir.

Mr. DILLON. Now, you require these same people, your competitors, to take their share whether they want to or not?

Mr. ARMOUR. We do what?

Mr. DILLON. You require them and compel them to take their share of the stock upon that market whether they want it or not?

Mr. ARMOUR. You mean that we compel our competitors?

Mr. DILLON. Yes.

Mr. ARMOUR. No; we haven't anything to do with them and we could not do it.

Mr. DILLON. Suppose the market has been glutted for a whole month and is glutted at the time, and you do not want the stock. we will say, do they force you to take it all, or do you force them to take it all, or do you divide it among you according to your share?

Mr. ARMOUR. We do not do either. That is not what happens. If the market is glutted, the commission men who receive the stock wire out and stop shipments into the market. But that market does not stay glutted very long; and furthermore, while it may theoretically happen it does not practically happen.

Mr. DILLON. Now, Mr. Hamilton asked you a very pertinent question on yesterday, that here in the city of Washington you had a branch house, and your answer was that you shipped a certain number of cars of meat each day unless there was to be a big convention or a big crowd in the city. That is right, isn't it?

Mr. ARMOUR. Well, that is not wholly right. We ship a certain quantity of beef to the Washington market every week instead of every day.

Mr. DILLON. Well, now, if there should be a large gathering here in the city of Washington, you would be permitted to ship an additional amount, or you would do so, wouldn't you?

Mr. ARMOUR. There is no question about our being permitted to do it. Our man who runs the market here would probably think there would be more beef to be sold, and his judgment might be very

bad or very good. He might order more beef than the market could take, but he would naturally order more beef in such an event, because that is what you or I would do.

Mr. DILLON. Your competitors also ship in their allotment to cover the extra amount needed.

Mr. ARMOUR. No; there is no allotment at all. Our competitor probably does the same thing.

Mr. DILLON. Well, that is what I mean.

Mr. ARMOUR. Well, that is a matter of ability.

Mr. DILLON. I want to call your attention to the Federal Trade Commission's report, part second, on page 36. They say here that you have a code system, or did have a code system, and that the name of your institution was called "Sanford," and that the letter "H" stood for the Swift interests, and that "Klee" stood for the Morris interests. What have you to say about that?

Mr. ARMOUR. What is that in?

Mr. DILLON. On page 36 of the Federal Trade Commission's report.

Mr. ARMOUR. Oh, I do not know anything about that.

Mr. DILLON. You don't know anything about that?

Mr. ARMOUR. No, sir.

Mr. DILLON. There is very interesting information here on page 44 of the Federal Trade Commission's report. The commission says:

The following is what was said by one of the buyers at a western market and is typical:

"As the head of the * * * buying department, I got all my orders direct from Chicago. I then divided the buying orders among my assistants. These orders came early each morning."

Now what do you say as to that?

Mr. ARMOUR. Oh, that is not possible. He divided the orders among his own assistants; yes, among his own men.

Mr. DILLON. Continuing the quotation I will say:

All other packers got their orders, too, from Chicago. These orders related particularly to prices at which we could buy * * *

What do you say as to that?

Mr. ARMOUR. That refers to hogs or to cattle?

Mr. DILLON. It refers to both, I guess.

Mr. ARMOUR. Well, I can simply say to you again that we do not tell and nobody in the business tells a man who buys cattle what he is to give for them. That is not the way the business is run. It is not a practical way of handling it. Nobody knows enough to tell a man, unless he would say, "I can buy a prime load of cattle at 14 cents," that is not the way the business is run at all. You can not do that.

Mr. DILLON. That is what I wanted to get. This man is reported further to have said:

We were not usually limited as to the number of * * * we could buy until later in the day, about noon. We had estimates of receipts, but those estimates were not accurate. All through the morning we would wire Chicago what we had bought and what was in or to be in that day. About noon we would get final orders to buy so many more at a certain price.

You think that is an inaccurate statement, do you?

Mr. ARMOUR. No; I do not think it is an inaccurate statement in this respect: For instance, that could happen in this way, if you will

allow me to explain. Our head buyer might want to buy 15,000 cattle and he would apportion to Omaha, which is away from Chicago, 1,200 cattle to buy, and would say, I want you to buy 1,200 cattle to-day. That is the proportion that Armour & Co. would give to the Omaha house. For some reason or other he might have got as many cattle as he wanted, or he might not have got as many as he thought he would get in Chicago, and it happens quite often that our man would say to Omaha, you can buy a thousand cattle more to-day; we are buying steady or lower. They never say the price in the sense of saying 12 cents, or 14 cents a pound, because that is not the way the cattle business is done. They always say you can increase your order by a thousand cattle, or by two thousand cattle more, and add that cattle are steady or lower or higher as the case may be.

Mr. DILLON. He further says:

I was never allowed to go over my order—not even 25 cattle. If I did I got the dickens. Sometimes I would go to the boss and ask if I could buy a certain load cheap. He would reply, "No."

You don't know of any occurrence of that kind?

Mr. ARMOUR. Do you want a reply to that?

Mr. DILLON. Yes.

Mr. ARMOUR. I don't know who the man is.

Mr. DILLON. And they do not disclose his name.

Mr. ARMOUR. I think it a good thing, for the man's sake, because it is so foolish.

Mr. DILLON. Now, the Trade Commission gave several statements, and they gave a map showing that each company gets a certain share of the cattle, and when they get to the end it comes out on the same line as we had started in on, showing that if you were to have 35 per cent that you have balanced the figures to the extent that at the end you would even up the amount and get your share. Do you think that statement of the Federal Trade Commission is accurate?

Mr. ARMOUR. Well, I don't know what the figures will show, but I can simply say this, that Armour & Co. have had a certain amount of business for many, many years, and other companies have had a certain amount of business for a great many years. It is our intention, just the same as it is in Denver and Fort Worth, to retain that amount of business, and to have more if we are able to get it. Last year, as I said, or I think I said it, we fell short 85,000 or 100,000 cattle in the amount of business that we were doing. Naturally, if we increased our business the rest of the people would try to increase theirs, and the difference does not vary very much. It is not possible for it to vary very much.

Mr. DILLON. Mr. Armour, one other question along that line: There are a number of maps here, running over a number of years, and the percentage that you get is almost to the penny all through the line for the number of years—two or three years—and Morris's is identical, or very nearly the same, and Wilson's and Swift's have their figures likewise. On page 50 is a great long list, and there is substantially no variance as to the share each of those packers got. Isn't that a rather strange coincidence?

Mr. ARMOUR. No; I think not, because in a hundred thousand cattle it might only figure out 1 per cent. I mean that the variance for a

hundred thousand cattle either the one way or the other, the business is so enormous that 1 per cent might be 100,000 cattle, so that if a man keeps the proportion of his business that he has it will not amount to anything particularly, and that will not apply only to the big packers, but it will also apply to small packers. That is, they have a certain amount of business and they try to keep it.

Mr. DILLON. On page 74, referring again to the Fort Worth and Denver markets, where Swift & Co. and Armour & Co. operate, the statement is made here that in 1916, out of a total of 364,276 cattle, these two packers came within four of securing the same number. What about that?

Mr. ARMOUR. Well, that is pretty close.

Mr. DILLON. Is that a mere coincidence, or how did a thing of that kind happen?

Mr. ARMOUR. Well, I can answer the question simply from a broad standpoint. I could not answer how they came within four of each other, but I can simply answer, speaking broadly, that we perhaps have half of the business, and I assume that Swift has about half, and we acknowledge that. Whether it came within 4 or within 400, that would be about the business done, and that may have been a coincidence, but I do not know how it occurred.

Mr. DILLON. How could it be possible that in a market in which two packers were operating that they would so operate that they would only have a difference of four head of cattle in the whole year without having some understanding between them?

Mr. ARMOUR. Well, as I have said before, there is no understanding. But I have acknowledged, and I still acknowledge, that at a place like Fort Worth and at a place like Denver, we are going to have half of the business if we can get it. I acknowledge that. I do not think there is anything wrong with it, either.

Mr. DILLON. That is all I care to ask.

The CHAIRMAN. You may proceed now, Mr. Dewalt.

Mr. DEWALT. Mr. Armour, would you prefer to come back in the morning?

The CHAIRMAN. Well, Mr. Swift is to be heard in the morning.

Mr. DEWALT. All right; I will proceed, then. Mr. Armour, do you think you can absolve yourself from the personal interest you have in this large enterprise so as to testify entirely without any prejudice either for or against your business?

Mr. ARMOUR. Well, I think I am a natural man. That is the only way I can answer that question; I would try, but think I am as natural as anybody else.

Mr. DEWALT. In other words, you are trying to give your testimony fairly for the interests of all concerned.

Mr. ARMOUR. I had hoped to do so, and I have tried to do so.

Mr. DEWALT. I suppose you will admit with me that there are four large interests here that ought to be served; first, the public as a consumer; secondly, the producer of cattle; thirdly, the packer, whom you represent; and then, fourth, the Government itself, representing the consumers. Generally speaking, that is true, is it not?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Then, I suppose you would say with me that the best legislation would be such legislation as not to harm any one of those four great interests, and yet benefit all of them if possible?

Mr. ARMOUR. Most decidedly.

Mr. DEWALT. Now, have you examined this bill carefully?

Mr. ARMOUR. Well, yes; I have read it.

Mr. DEWALT. You stated, if I remember correctly, that it did not make much difference whether this bill was reported favorably and passed or whether it did not pass; that the packers would go on in the same way; and that the only result, so far as you saw it, would be in the lessening of the efficiency and the increase in expense. Am I correct in quoting you generally that way?

Mr. ARMOUR. Yes.

Mr. DEWALT. Now, turning to this bill—and I propose to ask you strictly along the lines of this bill—do you appreciate the fact that by the terms of the bill the Government has the right of condemnation and acquirement of all this property now used by the packers?

Mr. ARMOUR. No; I don't think I understood that.

Mr. DEWALT. Do you own feeding stations?

Mr. ARMOUR. I beg your pardon?

Mr. DEWALT. I mean, do all these five packers together own any feeding stations?

Mr. ARMOUR. I do not know. We do not own any.

Mr. DEWALT. Do you own any car shops?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. They can acquire those. Do you own any refrigerator cars?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. They can acquire those. Do you own any terminal and belt line railroads?

Mr. ARMOUR. The stockyards do, but we do not personally.

Mr. DEWALT. They can acquire them. Do you own any exchange buildings?

Mr. ARMOUR. The stockyards do. They come in under the stockyards.

Mr. DEWALT. Do you own any market news' service?

Mr. ARMOUR. Yes, sir; I think one paper.

Mr. DEWALT. They can acquire that. Do you own any freezing plants?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Do you own any cold-storage plants?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Do you own any rendering plants? I am speaking generally of the packers now, and not of you alone.

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Those rendering appurtenances and facilities connected with your business, as well as the general appurtenances and facilities of your business—that is what they are, are they not?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. This bill provides that the Government can acquire them.

Mr. MATER. And the serum plants also.

Mr. DEWALT. Yes, sir; the serum plants. Do you mean to say now, Mr. Armour, that it wouldn't make any difference in your business if the Government acquired them under the provisions of this bill?

Mr. Armour. I do say it would, and I do not say that it would not.

Mr. DEWALT. You say you have \$150,000,000 worth of property, roughly speaking.

Mr. ARMOUR. Do you mean our inventory?

Mr. DEWALT. Your inventory; yes.

Mr. ARMOUR. Well, it is more than that.

Mr. DEWALT. What is your actual stock?

Mr. ARMOUR. \$100,000,000.

Mr. DEWALT. How many stockholders have you?

Mr. ARMOUR. Well, I don't know, but it is the Armour family, six or seven.

Mr. DEWALT. Every bit of that stock, and every bit of that property would be affected by this legislation if the Government acquired under the provisions of this bill the property which your company now owns, wouldn't it?

Mr. ARMOUR. Oh; yes, sir.

Mr. DEWALT. Now, if you turn to page 4 of the bill, you will find the provision is clear that we may acquire by purchase, lease or condemnation all the cars, stockyards, real estate and other property which he (meaning the President) is authorized by this act to acquire. Have you found anywhere in this bill any method of compensation for such equipment, or I mean for such acquirement or condemnation?

Mr. ARMOUR. No, sir; I think not.

Mr. DEWALT. Well, doesn't it strike you then that it might very seriously affect this capitalization of yours, and any capitalization of the other packers, whether the packers be big or small?

Mr. ARMOUR. Most decidedly.

Mr. DEWALT. Now, the Government has attempted to regulate this business by some commissions, hasn't it?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. And the antitrust laws are in force?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. You are subject to those law?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. You have been regulated by those laws?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. The Food Administration has taken hold of your packing industry so far as hogs are concerned, hasn't it?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. That regulation is still in force, isn't it?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Has that regulation been effective? I mean the anti-trust laws as against you people or for your people, whichever it may be?

Mr. ARMOUR. Do you mean the antitrust laws have interfered with that regulation?

Mr. DEWALT. Has the antitrust law been effective so far as these various corporations are concerned as to preventing combination or collusion, if there was any.

Mr. ARMOUR. Yes, sir; but I claim there is none.

Mr. DEWALT. You say subsequent to a certain time there has been none.

Mr. ARMOUR. Oh, yes; it was a good many years ago.

Mr. DEWALT. What I ask you now is, Has the antitrust law and have the regulations of the Government up to this time been effective in curing the abuses that it was alleged obtained previous to that time?

Mr. ARMOUR. Yes, sir; I think they do.

Mr. DEWALT. Is there anything in this bill, if you have examined it, which in your judgment as a witness trying to tell the truth and to make a fair statement before this committee, which is productive of good to the consumer?

Mr. ARMOUR. I can not see anything.

Mr. DEWALT. Is there anything here that is productive of good to the packing industry?

Mr. ARMOUR. No, sir; I can not see anything.

Mr. DEWALT. Is there anything here good for the Government unless you say the taking over the packing industry under governmental ownership?

Mr. ARMOUR. I do not think it good for the Government, because it would affect the consumer, the packer, and the producer.

Mr. DEWALT. There is also in this bill a licensing system. Have you considered that feature of the bill?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. The bill doesn't say what the license shall be.

Mr. ARMOUR. No, sir.

Mr. DEWALT. But it says you shall pay a license.

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. It says the President shall have the power to revoke the license whenever he wants to.

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. And it says the President shall make the terms of the license.

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. It seems to me if I had a hundred and fifty million dollars worth of property in my inventory, and if I had a capitalization such as you people have, I would be very much concerned as to what this licensing feature of the bill means. Have you looked it over?

Mr. ARMOUR. We are, and that is why I came here.

Mr. DEWALT. Did the Federal Trade Commission ever give you an opportunity to present your views upon this license question?

Mr. ARMOUR. I haven't had any.

Mr. DEWALT. Have you, so far as you have known, heard of anybody who has had an opportunity to present their opinions upon the provisions of this proposed license?

Mr. ARMOUR. This is the first opportunity I have had to talk to anybody.

Mr. DEWALT. Do you know of any other packer, or of any independent packer, or of any large packer, who has been consulted with reference to the proposed legislation here?

Mr. ARMOUR. No; I do not. I understand some independent packers came down here. They did not come down at my invitation. I think they are as much alarmed about the bill as I am.

Mr. DEWALT. Somebody asked you a question in reference to the operation of your cars. I find this statement, and I am quoting now from the Interstate Commerce Commission's report:

"No class of cars in the railroad service is used more effectively than cars owned by the large shippers. They have an organization of men to see to it that their cars move as promptly as possible, both loaded and empty. The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done by the intervention of private owners."

Do you agree with that?

Mr. ARMOUR. Very much.

Mr. DEWALT. You are not the only people who own private cars.

Mr. ARMOUR. No, sir.

Mr. DEWALT. The Standard Oil Co. owns cars.

Mr. ARMOUR. Yes, sir; tank cars.

Mr. DEWALT. Do other independent packers in your line of business own cars?

Mr. ARMOUR. Yes, sir; I understand so.

Mr. DEWALT. This bill provides that the cars of independent owners may be taken.

Mr. ARMOUR. Yes. And I guess that is the reason they do not like the bill.

Mr. DEWALT. Here is another thing on page 6, that the provisions of such license may include the relation, direct or indirect, of the licensee to the purchase, manufacture, storage, or sale in interstate commerce of commodities other than live stock and products which are in whole or in part from live stock or the slaughtering of live stock. Have you looked at that provision?

Mr. ARMOUR. Yes; that is a very bad provision.

Mr. DEWALT. Well, what do you think it affects?

Mr. ARMOUR. Well, I think it affects the packing industry and may destroy it.

Mr. DEWALT. It might affect every other industry that wants to go into business which may include the relations, direct or indirect, of the licensee to the purchase, manufacture, storage, or sale in interstate commerce of commodities other than live stock and the products derived, in whole or in part, from live stock.

Mr. ARMOUR. I think it does.

Mr. DEWALT. Isn't that going to affect, in your judgment as a business man, these large department operations in the department stores that we have?

Mr. ARMOUR. Well, I think it would, yes. I think it would be very far reaching.

Mr. DEWALT. Have you any means of knowing whose bill this is?

Mr. ARMOUR. No, sir; I do not know.

Mr. DEWALT. I am asking that merely as a matter of curiosity.

Mr. ARMOUR. It reads as though it might be a Federal Trade Commission bill.

Mr. DEWALT. One thing more I want you to explain and I will finish. On page 58 of your testimony, will you be kind enough to explain to me, if you can explain it, as there is one doubt in my mind that I would like to have cleared up? You will notice on page 57 that there is a letter from Armour & Co. to H. G. Sharnack. Have you that there?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Now, on page 58 I find this, and just paraphrasing there it seems that this correspondence referred to lard, or not to lard itself, either, but something else.

Mr. ARMOUR. Compound.

Mr. DEWALT. Yes; compound. And here is this letter:

Please give this compound all attention possible. Everybody's price must be the same as yours. If you find any deviation make doubly sure that you are right by seeing the bill, noting the date of same, quantity sold, and the price and let me have it.

Now, you go on to say:

This so pleased Armour & Co. that on January 30, 1918, L. L. Whelan, of Armour's lard department, wrote to Sharnack: "Very glad to note your cooperation on White Cloud as per your circular to houses dated the 28th. In this connection, however, it occurs to us that we should not make any noise about competitors' prices being identical, etc. Under present conditions this is not advisable, as you are undoubtedly aware. Also you might destroy this letter on the subject."

Now, on page 59, if I understand your statement correctly, you attempt to explain this correspondence, and you say it was occasioned by the fact that the Food Administration wanted to stabilize the cottonseed industry, and that this order or this direction was really in consonance with the suggestion and advice of the Food Administration. Am I correct in so understanding it?

Mr. ARMOUR. Yes, sir.

Mr. DEWALT. Then if that was so, what was the necessity of saying, "also you might destroy this letter on the subject?"

Mr. ARMOUR. I really don't know. There was no necessity for that at all.

Mr. DEWALT. Do not misunderstand me. I just want to know.

Mr. ARMOUR. I want to know, too.

Mr. DEWALT. If this was an open-handed transaction and if there was no collusion here, and if there were no attempts to fix prices between concerns, and if your excuse is that the Food Administration was trying to stabilize the cottonseed industry, and if what occurred here was in consonance of their advice for relief, I can not see why Armour & Co. should write to this gentleman and say, "also you might destroy this letter on the subject."

Mr. ARMOUR. I do not know why that was done, but I can simply say those are the facts and they can easily be checked up. Understand me, if it is a fact, and I understand it is, and I know that Mr. Pyle—they had one price on everything. They wanted to stabilize the cottonseed oil industry, and that is our explanation of that letter. Why he put that last paragraph in I do not know.

Mr. DEWALT. I am perfectly frank in saying that the quotation from the letter is correct?

Mr. ARMOUR. Oh, yes.

Mr. DEWALT. I am perfectly frank in saying that your explanation of the reason was as I have stated?

Mr. ARMOUR. Absolutely.

Mr. DEWALT. But you do not attempt to excuse the party for making that assertion?

Mr. ARMOUR. No; I do not know why it was done. He must have known or he may not have known of the situation, but I assume that he did.

Mr. DEWALT. One other question: Do you know that this bill provides for the incorporation by the Federal Government of companies to take over this entire business?

Mr. ARMOUR. I will ask Mr. Mayer about that.

Does it include the packing business?

Mr. DEWALT. Yes, sir; including everything. Have you examined that feature of it?

Mr. ARMOUR. Mr. Mayer has for me.

Mr. DEWALT. In the light of those facts, including this bill, do you say it doesn't make very much difference to the packing industry or to the public at large whether we report this bill favorably or not?

Mr. ARMOUR. No; I don't think I said that.

Mr. MONTAGUE. Mr. Dewalt, I did not understand Mr. Armour to make that statement, that it did not make any difference. He said that the packing business would go on, or would have to go on; and of course it will, but he did not say that it wouldn't make any difference.

Mr. ARMOUR. Yes, sir; I think that was my answer.

Mr. DEWALT. It would make a very material difference all along the line, wouldn't it?

Mr. ARMOUR. Yes, sir.

Mr. MAYER. It would destroy it.

The CHAIRMAN. You may now proceed, Mr. Sweet.

Mr. SWEET. Mr. Chairman, I have only a few questions to ask, as the field has been gone over very thoroughly. Now, Mr. Armour, you have repeatedly testified here that this was a family concern—Armour & Co.

Mr. ARMOUR. Yes, sir.

Mr. SWEET. You have also testified that in 1867 or in 1868 the business was started with about \$160,000 of capital?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. That represented at that time the net capital of the concern?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. Now, then, from your statement here I find that your net income for the year 1918 was \$15,247,838.53?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And that was arrived at by figuring 9 per cent net on the capital invested?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And that the dividend, or, rather, the income, as stated in your statement, is what was left after deducting all dividends on the preferred stock?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And all overhead expenses?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And all taxes?

Mr. ARMOUR. Net.

Mr. SWEET. And that is the way you arrived at the amount of your income?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. Now, if that was the amount of your income, the amount of the net capital invested would be somewhere in the neighborhood of \$169,000—

Mr. PARKER of New Jersey. A hundred and sixty-nine million dollars, you mean, don't you?

Mr. SWEET. Yes, sir. Wouldn't that be it, Mr. Armour?

Mr. ARMOUR. What is that question, now?

Mr. SWEET. The net capital you have invested, according to your statement, would be \$169,000,000.

Mr. ARMOUR. Yes, sir; the statement shows that.

Mr. SWEET. Here is a concern that started with \$160,000 net capital and in 50 years it amounts to \$169,000,000.

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And the question was asked by Mr. Winslow as to about the average rate of the income that you made per annum. If you take \$160,000 at 15 per cent compound interest for 50 years, it will amount to about \$163,000,000. In other words, if you take any sum of money at the rate of 15 per cent per annum and compound it for about five years, it will double?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And you have doubled every five years during the 50 years. Or you have doubled ten times; that is true, isn't it?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. Now, then, in addition to that, you have declared dividends to the amount of some 12 or 13 per cent per annum on an average?

Mr. ARMOUR. No, sir; I don't think that is right.

Mr. SWEET. I saw a statement that was in the paper last evening, and I don't know just how it was placed there, but I saw this statement:

The policy of reinvestment has been carried on so consistently in the succeeding years that 87.90 per cent of the total earnings have been invested in the business, and only 12.10 per cent has been drawn out for the personal and private use of the owners.

Mr. ARMOUR. Yes, sir. The 12.10 per cent was the total amount drawn out during the entire period.

Mr. SWEET. Is that correct?

Mr. ARMOUR. Yes.

Mr. DEWALT. I think that is in consonance with the printed statement.

Mr. ARMOUR. If my printed statement shows that, it is correct—yes; it is correct.

Mr. SWEET. The 15 per cent refers to the surplus and profits reinvested in the business?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And in addition to that you have taken out of the earnings of the business an amount equal to 12.10 per cent thereof for the personal and private use of the owners?

Mr. ARMOUR. Yes, sir. During all of these many years the total drawn out for personal and private use of the owners was only 12.10 per cent of the entire net profits.

Mr. SWEET. If you take into consideration the total amount of your invested capital, as shown by your statement, and the total amount that has been paid to the owners for their personal and private use, your net income would amount to about 17 per cent per annum on an average from 1868 to the present time. Isn't that true?

Mr. ARMOUR. Well, I am perfectly willing to have that figured out for you. I do not think that I could figure it out myself from the data I have here.

Mr. SWEET. I have gone over this, and maybe I am wrong, and if I am wrong I would like to be corrected.

Mr. ARMOUR. I have an accountant here, and he can figure it out for us; but right on the face of it I would say you are entirely wrong. However, I am perfectly willing to have the accountant figure it out and give it to us.

Mr. SWEET. The reason I figured it out that way was that I had no data from your statement whereby I could arrive at the amount you made, on the average, per year. But I did have the original amount of your net capital, which was \$160,000, and I also had the amount of your net capital at the end of practically 50 years.

Mr. ARMOUR. Well, I will be perfectly willing to have that figured out and furnished to you.

Mr. SWEET. Of course, it is a mathematical deduction; but, after all, I would like to have you run over that and say wherein it is not fair.

Mr. ARMOUR. Your conclusion and figures are not correct. I do not think we can furnish it to you here now, but I will be very glad to have it figured out, if you wish.

The CHAIRMAN. Mr. Sweet, as a matter of information, I understood you to mean 17 per cent per annum for 50 years on the \$160,000?

Mr. SWEET. Yes, sir; taking \$160,000 right on down, it doubles every five years. I am getting at the amount per year.

The CHAIRMAN. All right.

Mr. SWEET. Did you ever make more than 20 per cent in any one year on your business, on your invested capital?

Mr. ARMOUR. I do not know. I think many years ago we did—a great many years ago—but we haven't in many years.

Mr. SWEET. During the last few years you have not made that much, have you?

Mr. ARMOUR. Oh, no; I don't think anything near it. I haven't got those figures here now.

Mr. MAYER. Here is the supplemental statement in this printed statement of the company already in evidence.

Mr. SWEET. I have figured it out.

Mr. ARMOUR. We have given you the figures from 1912 to 1918 in the supplemental statement to my general statement.

Mr. SWEET. In looking over your statement, you seem to put forward the thought that you are conducting a great machine here for the distribution of food products.

Mr. ARMOUR. We have always thought we were.

Mr. SWEET. Now, then, you gather together foods from various sources in the way of live stock and put them through your plant, and you use your facilities and equipment for their distribution. I do not intend to go into this in any extended way, but I come to the proposition in regard to Coca Cola. In that connection, if I remember your testimony correctly, you said you used your great distributing agency for the purpose of selling this product.

Mr. ARMOUR. Yes, sir.

Mr. SWEET. Now, just tell us how you handle the product. Do you purchase the product or do you sell the services of your great agency for its distribution?

Mr. ARMOUR. Well, I really do not know and could not answer that question.

Mr. SWEET. Do you buy the Coca Cola outright?

Mr. ARMOUR. I could not say. I would say very likely we would buy it right out, but I do not know as to whether we buy it or get a commission for selling it. I just do not know.

Mr. SWEET. That is the question I am getting at, because you are putting forward in the statement the idea, and that very clearly, that you were using this great distributing machine for the purpose of distributing these various products.

Mr. ARMOUR. Yes, sir; we are. We handle Coca Cola as a jobber. We get exactly the same terms as are offered by the Coca Cola Co. to all jobbers, and we sell to the retailers at the same price as the other jobbers charge.

Mr. SWEET. In that connection, take canned sweet corn. for instance, and you are handling that to some extent?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. To what extent?

Mr. ARMOUR. Well, I do not know in dollars and cents, but it is—

Mr. SWEET (interposing). Give it to us in general terms.

Mr. ARMOUR. Oh, it might be a million dollars; it might be two or three million dollars.

Mr. SWEET. How are you handling that, on commission?

Mr. ARMOUR. I think we probably buy that.

Mr. SWEET. You buy that outright?

Mr. ARMOUR. I think we probably buy that, and have it labeled for us. We buy it from the concern that puts it up.

Mr. SWEET. From the jobbers?

Mr. ARMOUR. Well, from the packers who put it up.

Mr. SWEET. In that respect you are interested in the marketing of sweet corn, are you not?

Mr. ARMOUR. Very decidedly.

Mr. SWEET. You also handle canned fish, or canned salmon.

Mr. ARMOUR. Yes, sir.

Mr. SWEET. How do you handle it?

Mr. ARMOUR. We handle it both ways. Sometimes we buy it and sometimes we handle it on commission. It depends entirely on the circumstances. We have no interest, however, as I have stated, in any fish or salmon concern.

Mr. SWEET. No; I understand that. I am following along this line, whether you are buying products outright, or simply selling the services of your great distributing machine.

Mr. ARMOUR. Generally we are selling the services of our distributing machine. But that is not always so. I say that is true, generally speaking. We do both, as I say, in the matter of canned salmon. With the Booth people, I think they pay us a commission for handling it, and then we may go out somewhere else and buy some from somebody else if we can not get enough of it from the Booth people.

Mr. SWEET. You are handling flour?

Mr. ARMOUR. No, sir; we do not handle flour.

Mr. SWEET. You stated in your testimony you were negotiating at the present time with certain fruit growers.

Mr. ARMOUR. Yes, sir.

Mr. SWEET. In what way are you negotiating?

Mr. ARMOUR. They have associations out in California—growers' associations—and each man sends in his fruit and has it packed and gets back a certain percentage of profits according to the amount of goods he sends in. You probably know about that. We are negotiating to handle some of these goods for those people on a commission basis. If so, they will allow us a commission to sell it. And I wish to say in this connection I think we would be of very great use to those people out there in furnishing them a wider distribution for their goods, a distribution that they have never been able to get before. If they had to sell their goods to this jobber and that jobber, or any fellow who came along and wanted to buy their goods, you can imagine what it would mean to them.

Mr. SWEET. What percentage of these unrelated products do you sell on commission?

Mr. ARMOUR. That is a very hard question to answer, and I could not tell you that without looking it up, but I do not think a very large percentage.

Mr. SWEET. It seems to me it is quite important that we have these facts in this connection, because the Federal Trade Commission has made the assertion, or at least it has left the inference that as time went on and you keep handling these unrelated products, the time would come when you would drive the general grocer or wholesale grocer out of business. It is quite a different question when you buy the product outright and go into the market and sell it, or whether you simply handle it upon a commission basis, and use, as you say, your great distributing machine for the purpose of reaching the consumer.

Mr. ARMOUR. We do both now, but I do not know what the percentage is.

Mr. SWEET. What is your policy in that connection? Do you expect to continue in the commission business in that way or do you expect to purchase the goods?

Mr. ARMOUR. Well, that policy would change. It would depend a great deal on what the conditions were. If we found we could not handle them on commission, we might want to buy them or might want to do both. What policy we might have in one section of the country might be entirely changed in another. I could not answer that more definitely, and still I want to answer you.

Mr. SWEET. In your statement here I believe you say that only 4.6 per cent of your business is related to the grocery business.

Mr. ARMOUR. I think that is correct. I have it right here. Here is the letter:

With reference to the wholesale grocers going out of business on account of the packers, for your information statistics show that there were 2,500 wholesale groceries in 1907 as against 3,590 wholesale grocers in 1918, showing an increase of 43 per cent.

No; this is not the one you refer to. I haven't the other paper, but I think it was 4.6 per cent.

Mr. SWEET. How long have you had that percentage of grocery business?

Mr. ARMOUR. That isn't percentage of grocery business. That is the percentage of our total business—I mean of Armour & Co.'s business—that is done in business of that kind.

Mr. SWEET. Of Armour & Co.'s business I meant. I mean of all your business in connection with the grocery trade.

Mr. ARMOUR. I do not think that has been very long, because we haven't been handling groceries and different things for a great while. I do not know how long, and I would say it was within 10 years, less than 10 years.

Mr. SWEET. There are many other questions I would like to ask you, but I fear I am not going to have the time. Now, as I understand, one of your purposes in coming down here was to drive away any mystery that might be connected with the packing business; isn't that true?

Mr. ARMOUR. Well, I will be very much pleased, indeed, if I am able to do that.

Mr. SWEET. Without going into a discussion of the Union Stock Yards & Transit Co., of Illinois, or the New Jersey Co., or the Maine Co., and in view of the fact that Mr. Doremus has asked you some questions in that connection, I would like to have you put into the record here everything pertaining to the organization of these three companies.

Mr. ARMOUR. I will be glad to get that information for you and put it in, but you can get it all direct from Mr. Prince, who is in control and is the majority owner.

Mr. SWEET. I want the amount of stock, who owns the stock, the purposes of the corporations, and who are the present stockholders, and why, in that connection, you issued warrants in some instances instead of capital stock. In other words, give everything in connection with the organization of those three companies that will be of interest to us here in going over this question. In a sense, I do not consider it very important, but in view of the fact that you have testified meagerly in regard to it, and in view of the fact that a statement appears here in the report of the Federal Trade Commission, I would like to have you explain it fully and in detail.

Mr. ARMOUR. I will be very glad to give you all the information I can. I want to say to you that I am willing to give you anything I can, and I will ask Mr. Mayer to get that and give it to you, if he can. But I don't know whether he can. Mr. Prince, of Boston, can give it all accurately to you.

Mr. SWEET. In that connection, I simply want to ask you to get the facts about it.

Mr. ARMOUR. Mr. Mayer will undertake to get them, if he can.

Mr. MAYER. I would say, Mr. Sweet, that Mr. Armour only owns a little less than 20 per cent in that company, and the reason why they issued bearer warrants is as much unknown to us as to you. The late Hon. Richard Olney, Secretary of State in President Cleveland's Cabinet, was the legal adviser, and he represented the parties in that work, and we had nothing whatever to do with the organization of the company. Mr. Armour simply took an investment which, in this case, turned out profitably; but, on the other hand, I think he can name you some investments which turned out quite unprofitably.

Mr. SWEET. You are acquainted with Mr. Prince?

Mr. ARMOUR. Yes, sir.

Mr. SWEET. And you own a considerable amount of stock?

Mr. ARMOUR. Twenty per cent.

Mr. SWEET. You have access to the papers and books?

Mr. ARMOUR. Only through Mr. Prince or the officers. I am not an officer or director.

Mr. SWEET. And it is upon that basis that I ask you for this information; not that it is a matter of public importance, but following out the theory upon which you came here, to dispel all these insinuations against your company, or in regard to your company, because of its ownership of stockyards, and so forth, I think we better have this information.

Mr. ARMOUR. You can get it best direct from the Stock Yards Co. I want to explain to do that we have nothing to cover up. I have been very frank with you people, and have no desire to do anything else; I only have the one desire, to give you anything you want, and I have no reason to think I can not give you anything you ask in regard to the stockyards.

Mr. SWEET. That is the spirit that has induced me to ask you this question, so as to clear up everything that has been inquired about.

Mr. ARMOUR. If I can not give it to you, I will try to give you a satisfactory reason for that failure, and one that I think will satisfy you. But I think I can give you the information. If I can dispel some of these bad impressions that have gotten out about the packers, I shall be very glad, indeed, that I came here. At any rate, I want to say that the packing business is no mystery, and I still think that instead of having rocks thrown at us we ought to have a few bouquets sent to us.

Mr. WINSLOW. Wouldn't it be well, if you want to know about these warrants, Mr. Sweet, to have Mr. Prince come before us?

Mr. ARMOUR. I suggested that on yesterday.

Mr. WINSLOW. It would be a very interesting meeting while it lasted.

Mr. ARMOUR. I will try to get all that information about it. But, if you ask Mr. Prince to come down here he will give you everything and anything you want.

Mr. WINSLOW. Pardon me, Mr. Sweet, but while Mr. Armour can get the information, no doubt, yet it is not in his care, and it is in the care of Mr. Prince, and I thought we might get it from him.

Mr. SWEET. That is true, but Mr. Armour is connected with Mr. Prince and acquainted with him, and is a stockholder of the company, and will get the data for us, or give us some satisfactory reason for his failure so to do.

Mr. ARMOUR. I will try to get it for you.

Mr. SWEET. I want you to clear up the mystery, if there is any mystery.

Mr. ARMOUR. I will get the information for you, and if I can not get it for you, I will call Mr. Prince's attention to the fact that you want it, and I am sure you can get it from him himself.

Mr. SWEET. I am leaving entirely to you the matter of getting this information, so that you may let us know about it.

Mr. ARMOUR. All right.

Mr. SWEET. In this connection I will also say, Mr. Armour, I would, personally, before this hearing is over, like to have Mr. Mayer give us his judgment and opinion upon some of the constitutional questions that may be involved in this bill.

Mr. ARMOUR. I will be very glad to have Mr. Mayer do that.

Mr. MAYER. If you wish, I can do that in the morning. I can do it in 10 or 15 minutes, and there is no necessity for my leaving the city to-night.

Mr. SNOOK. The chairman is not here. We will take it up with him to-morrow.

Mr. SWEET. I believe that is all I care to ask.

Mr. SNOOK. Mr. Armour, I will promise not to keep you more than five minutes. This has gone on so long that I do not want to delay it further, but there are one or two questions I would like to ask you. I suppose you have given pretty careful consideration and thought to this proposed bill? You have gone over it pretty carefully, I take it.

Mr. ARMOUR. Yes, sir; I suppose so.

Mr. SNOOK. As I understand from the hearings we have had, according to the statements from the Federal Trade Commission, it is prompted by the theory that the five big packers, and you know who they are, either now or ultimately will have a monopoly of the meat-packing industry of the country. As I understand your testimony, you deny that there is any such monopoly or likelihood of there being any such monopoly.

Mr. ARMOUR. Yes, sir.

Mr. SNOOK. That is your answer?

Mr. ARMOUR. Yes, sir.

Mr. SNOOK. In that connection, I would like to have you supply the committee with the information, if you can, of what the growth of these great packing industries has resulted in—in its effect during the last 10 years, or 12 or 13 years upon the starting up or institution of independent packing industries in the country.

Mr. ARMOUR. I would say that there are more independent packing houses in the country to-day than there ever have been in the past.

Mr. SNOOK. Haven't they been steadily going into that business in the last 10 years?

Mr. ARMOUR. Yes, sir. I think more have gone into the business in that time than ever before.

Mr. SNOOK. How do they thrive in competition with your packing industry?

Mr. ARMOUR. Why, that is pretty near like any other business. It depends on the management. It depends on the man. That is all: the way it is run. There isn't any reason why a man can't go into the packing business.

Mr. SNOOK. It is a personal question.

Mr. ARMOUR. Why, yes; it depends entirely on how the business is run. If the big packing businesses of Swift & Co. and Armour & Co. hadn't been run properly, we wouldn't have been big business; that is all.

Mr. SNOOK. Are there independent packing industries at all these centers where you and Swift operate?

Mr. ARMOUR. Yes, sir. Well, not at all of them. There is none other at Fort Worth that I know of, but broadly speaking, yes.

Mr. SNOOK. Have any of them grown to any size worth speaking of?

Mr. ARMOUR. Yes, sir; they have grown a lot.

Mr. SNOOK. Can you name some of the larger of them?

Mr. ARMOUR. Well, there is one in Chicago, the Agar Packing Co., that I think has grown a lot, and there are a lot of other independents that have grown very much. Jacob Dold & Co. has grown to a large concern, and there are many other similar concerns.

Mr. SNOOK. We had one man who testified here from Indianapolis.

Mr. ARMOUR. Yes; I was just going to get to him. That is Sinclair, is the man's name.

Mr. SNOOK. It was Kingan & Co.'s man?

Mr. ARMOUR. Yes, sir. They are a very large and successful concern.

Mr. SNOOK. Do you operate in competition with them at Indianapolis?

Mr. ARMOUR. We are not in competition, because I don't think they know we are there.

Mr. SNOOK. What is that?

Mr. ARMOUR. I am sorry to say I don't think they know we are there, but we have a place in Indianapolis.

Mr. SNOOK. Do they handle meats in the markets; that is, do they undersell you in the markets?

Mr. ARMOUR. No. They make wonderfully good goods and they get wonderfully good prices. I believe Kingan gets as good prices as anybody in the packing business.

Mr. SNOOK. You say that they have gotten and still get as good if not better prices for their products?

Mr. ARMOUR. They get as good and in many instances I would say they get better prices, and are still growing.

Mr. SNOOK. Do you and your counsel consider the first sections of this bill to mean that ultimately this business will be taken over and also operated by the Government? That is, that it means Government ownership of this industry? Is that the way you consider it; or do you consider it to mean Government operation?

Mr. ARMOUR. I do not know, but I think if they take the cars and the stockyards and the branch houses and the freezing houses, that they would either want to do—and I am saying it now not from the standpoint of a packer, for if you want to take the whole industry over, all right—but I would say that you will want to do one of two things, you will either want to take the whole industry or leave it alone. If it is a good thing for the country to have the Government take the whole industry over, then I have no objection whatever to that.

Mr. SNOOK. I understand your position. Do you look upon it as a bill which is intended ultimately to mean to the country and to the people of the country the matter of Government ownership of these things?

Mr. ARMOUR. I think it would result in that; yes.

Mr. SNOOK. Now, going to the other feature of it, you have examined this feature which provides for operating under a license

system, have you, which is provided in this bill? You have looked into that?

Mr. ARMOUR. Yes, sir.

Mr. SNOOK. You have looked that feature over?

Mr. ARMOUR. Yes, sir.

Mr. SNOOK. Do you consider the provisions of that bill to mean in that regard that if the law is put into effect it can be so operated as to prevent you from engaging in these allied industries that you speak about?

Mr. ARMOUR. Yes; as I understand that is the object of the bill.

Mr. SNOOK. I asked that question for the reason that I asked Mr. Colver when he was on the stand that same question, and he did not seem to be certain about it.

Mr. ARMOUR. Well, he is certain about it; and just as certain as I am, I guess.

Mr. SNOOK. You think that is the intendment of the bill?

Mr. ARMOUR. Why, naturally. If that object were not in view, I do not see any reason for the other at all.

Mr. SNOOK. How is that?

Mr. ARMOUR. I do not see any reason for licensing packers if it does not contemplate a final Government ownership.

Mr. SNOOK. Might it not be control along the line of the food control over the packing industry, as to limiting profits in business?

Mr. ARMOUR. Well, of course, my thought is naturally based upon the recommendations and the report of the Federal Trade Commission. Now, I say, and this committee can agree with me or not, as they please, but I say it is absurd and entirely unworkable from the country's standpoint, and from the consumer's standpoint, and from the producers' standpoint. It may sound terribly nice and all that, but I will tell you, gentlemen, it won't work out. The whole theory of the bill is very bad from every standpoint. It spells ruin to our whole industrial system.

Mr. SNOOK. Well, Mr. Armour, I asked you that question for the reason that I do not think that this provision in the bill is altogether clear, and I am not certain whether or not if the license system is adopted they could prevent you packers from going on under this law.

Mr. ARMOUR. Well, that is under the discretion of the man who gives us the license.

Mr. SNOOK. I do not know whether it gives him the discretion or not.

Mr. ARMOUR. Well, I think it would.

Mr. SNOOK. Just one more question. There has been a good deal of talk here about turning over refrigerator cars, and there has been some talk about railroads operating these cars, and some talk about the Government operating them. But in either event, if operated by the railroads or operated by the Government, if you still continued in the packing business, would it be necessary for you to keep up a force of men to look after securing the cars, and to look after the service, in order to carry on your business?

Mr. ARMOUR. It would, and that would be an additional expense that would have to come out of somebody. Because somebody would have to look after these cars, in addition to the railroads. It doesn't

make much difference who owns the cars; if we don't get them, you and the whole public will suffer a great deal.

Mr. SNOOK. From your experience in the business, and you have had a long experience, would you say that if the cars were taken over by the railroads or by the Government, either one, it will be necessary to keep a force of men to look after them?

Mr. ARMOUR. I certainly think so. The Government evidently hasn't very much confidence in its ability to take over the cars, because they have the right to take them over now, and, figuratively speaking, they did take them over and turned them back to us the next day. That is, I mean to say they had the right to take them over, and we came down to find out if they wanted them, and they said no. We think the proper place for refrigerator cars is where they are. The Interstate Commerce Commission, after an exhaustive examination over a period of six years, decided that it would not be a good thing for the railroads to take over the refrigerator cars.

Mr. SNOOK. If the cars were taken over by the Government or were operated by the railroads, there would still have to be some man or some committee who would make an allotment of these cars to the different shippers in the country, notwithstanding we have laws to prevent discrimination, because there would be the chance of discrimination?

Mr. ARMOUR. I think they would placard the cars by putting up a board with a placard on them saying, "Return this car to Armour & Co." They would allot us 3,000 or 4,000 cars, and Swift & Co. would be allotted so many cars.

Mr. SNOOK. Would there be a chance for the body or committee who made the allotment to make a discrimination?

Mr. ARMOUR. There is always that chance.

Mr. SNOOK. I have often heard that many people in the coal business had complained of discrimination.

Mr. ARMOUR. Of course, there is always that chance.

Mr. SNOOK. So far as cars are concerned, you think the quality of the service received by the packers would deteriorate?

Mr. ARMOUR. Yes, sir; and there is no doubt about that either, in my opinion. I think I know about that.

Mr. SNOOK. One more question. Relating to your business that you had in Argentina, where did you sell that product?

Mr. ARMOUR. Since the war it has all been sold in the allied countries.

Mr. SNOOK. What percentage before the war of that product packed in Argentina came here?

Mr. ARMOUR. It was very little, comparatively speaking. That wouldn't really answer your question, because the war came along so quickly after they took off the duty that it wouldn't show relatively how much—or I mean enough to show what the effect would be. Very little was brought here.

Mr. SNOOK. Could you give me a comparative estimate of the amount shipped to Europe and the amount that came here?

Mr. ARMOUR. As I say, when they took the duty off of beef coming from South America, very shortly after that the war came along and they didn't fairly get started. There was some stuff that came in

from South America, quite a considerable little amount of stuff, but they really just had only gotten under way when the war came along, and, of course, they had to stop that.

Mr. SNOOK. Is it your intention to sell that meat product in this country or in Europe or where?

Mr. ARMOUR. We will sell it wherever it is to our best advantage.

Mr. SNOOK. Do you think it would be to better advantage to sell it here or not?

Mr. ARMOUR. Well, I think we would sell it at both places. I think there will be a trade for us here and also in Europe.

Mr. SNOOK. That is all.

Mr. COOPER. Mr. Armour, if it will be a matter of any consolation to you, I will say that I am the last member of this committee, and I am sure that I along with the rest of the committee appreciate your kindness in answering readily and frankly the questions which have been propounded to you, for we have been operating here two days with you, and you have rendered a service that should be valuable to all of us. Now, just one or two questions and I will promise to keep you but a very few minutes. Refrigerator cars have been very essential to the successful operation of your business?

Mr. ARMOUR. Oh, yes; they are indispensable.

Mr. COOPER. Without those cars your business would not have been as successful?

Mr. ARMOUR. Without them our business would not have been successful at all, or in any event, to only a limited extent.

Mr. COOPER. The refrigerator car bears the same relation to you that the delivery truck does to the department store?

Mr. ARMOUR. Yes, sir.

Mr. COOPER. You built those cars because you did not think it would be to the best interests for your company to depend upon somebody else to furnish delivery wagons for you?

Mr. ARMOUR. No; we built them because we could not get anybody else to furnish them.

Mr. COOPER. Do you believe it is to the best interests of your company to have them instead of depending upon someone else for them?

Mr. ARMOUR. Yes, sir. Our original reason for building and furnishing them was that at that time nobody else would furnish them for us.

Mr. COOPER. At the same time they have been a great help to you in delivering the products in an expeditious manner to the consumers of the country?

Mr. ARMOUR. Undoubtedly; yes, sir.

Mr. COOPER. I believe that is the line that a great many of our industrial plants are following to-day. I know that some of the steel industries in the district that I represent are building their own coke cars and coal cars to-day, which are being used in interstate commerce, in order to get their products to and from the mines and markets. They are building their own cars because they think it essential to their business, and it helps them along that line. As to your stockyards, do you believe you get better and more efficient service by having your own terminal facilities and your own switching of cars?

Mr. ARMOUR. Yes, sir.

Mr. COOPER. Than to depend upon some outside institution to do it?

Mr. ARMOUR. Oh, yes. We have now our own boss switchmen at the yards to see that we get our cars in. If we had to depend upon somebody else they would never come in.

Mr. COOPER. If this bill were to become a law, the Government will have the right to take over those switching facilities and cars.

Mr. ARMOUR. Yes, sir.

Mr. COOPER. In other words, your industry would have to depend upon an outside institution to carry it on?

Mr. ARMOUR. It would, without any personal interest in seeing that the work was done right.

Mr. COOPER. You have been a very successful business man, and although this question has been asked I want to ask it again: If this bill were to become a law, how far will it reach out? The sponsors for this bill say it only applies to the packers. If it only applies to the packers, it seems to me it is class legislation, and there would be some ground for attacking the constitutionality of it. If it is constitutional, it seems to me that it is going to reach out and take in other fields of endeavor as well as the packers. For instance, here is Sears, Roebuck & Co., of Chicago, and they deal in everything, almost, from a pound of sugar to a thrashing machine. It seems to me, if this bill is constitutional, that it might reach out and go into every other line of legitimate endeavor in the United States.

Mr. ARMOUR. I think it is quite likely it would.

Mr. COOPER. I just wanted your opinion on it.

Mr. ARMOUR. I think it quite likely it would.

Mr. COOPER. Especially at this time, when there seems to be a tendency on the part of a great many people for Government control of almost every institution we have in our country. That seems to be a fad with some people—Government ownership.

Mr. ARMOUR. Yes, sir.

Mr. COOPER. That is all.

Mr. PARKER of New Jersey. When Mr. Philip D. Armour, in his Denver letter of October 15, 1915, said, "Of course as you know everything here is done on a 50-50 basis," was there, at that time, or at any other time, any agreement or understanding with the Swifts, either directly or indirectly, expressed or implied, for the establishment or maintenance of that proportion?

Mr. ARMOUR. No, sir; there was not.

Mr. SNOOK. Mr. Armour, now, in the absence of the chairman of the committee, I want to thank you on behalf of the committee for your attendance, and your very free and frank answers to the questions propounded to you by the several members of the committee.

Mr. ARMOUR. I am very much obliged to you, and appreciate this opportunity which has been given to me to express my views before the committee and to answer the questions which have been asked here.

(And, at 5 o'clock and 30 minutes p. m., an adjournment was had until tomorrow morning at 10.30 o'clock.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, January 23, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman), presiding.

STATEMENT OF MR. LEVY MAYER, ATTORNEY FOR ARMOUR & CO., CHICAGO, ILL.

The CHAIRMAN. Mr. Mayer, you may proceed.

Mr. MAYER. If it pleases the gentlemen of the committee and you, Mr. Chairman, before I get to a very brief discussion, at the request of your committee, of the legal questions involved, I am asked by Mr. Armour to bring to your attention what came in while he was on the stand but escaped his attention. It is illustrative of that part of his testimony which has reference to branch houses.

The CHAIRMAN. And you want to publish it as a part of this hearing?

Mr. MAYER. Yes, gentlemen. I have here a letter from the city of Laurel, Miss., addressed to certain of the branch managers of Armour & Co, as follows:

LAUREL, Miss., *January 11, 1919.*

Messrs. P. W. SCOTT,
Manager Armour & Co., Meridian, Miss.,
and
J. B. HEBBON,
Division Manager Armour & Co., Memphis, Tenn.

GENTLEMEN: Inclosed find petition from the city officials, bankers, and business men of Laurel, Miss., requesting Armour & Co., to establish a capital branch house of its business in Laurel.

We would appreciate your attention to this matter and favorable action thereon.

Yours, very truly,

GOODE MONTGOMERY, *Mayor.*

That was accompanied, gentlemen, by a petition which I shall not stop to read, but which, apparently, and according to the body of the instrument, is signed by the officials and principal merchants and citizens of that town.

The CHAIRMAN. Do you want that published with the letter?

Mr. MAYER. We would like to have it, gentlemen, because it shows, as Mr. Armour stated yesterday, how it is the communities that require these branch houses, and here is about as urgent an appeal as could possibly have been made.

The CHAIRMAN. It will be made a part of the hearing and you may now proceed.

(The paper referred to is as follows:)

LAUREL, Miss., *January 4, 1919.*

Mr. P. W. SCOTT,
Manager Armour & Co., Meridian, Miss.
Mr. J. B. HEBBON,
Division Manager Armour & Co., Memphis, Tenn.

We, the undersigned merchants, bankers, and business men of the city of Laurel, Miss., respectfully show unto you that for the past 15 years Armour & Co. have been doing business here under the Meridian branch and on account of the shortage of help due to war conditions the branch here was closed up September 1, 1918, and since that time they have had no branch house of any description here.

We have no complaint against Armour & Co. or their method of doing business. We are well pleased with the firm and want them to come back to our city, but since Armour & Co. have been here Laurel has grown from a mere way station to one of the leading cities of the State, and, as we think and confidently hope, has one of the brightest futures of any city in the State, and what we desire in this petition is that Armour & Co. come back into our city and reestablish themselves here, not as a branch of Meridian or any other city but as an independent institution, recognizing the business of Laurel and aligning itself with the citizens of this city in the progressive development of this section of the country by establishing an independent branch here the same as Meridian, Hattiesburg, and all other cities of any consequence in the State have.

We believe that the amount of business done justifies this recognition on our part and therefore we request Armour & Co. to grant us this consideration, but if we can not get such recognition from Armour & Co. we propose to do business with some packing company who will give us this recognition and who will show by their attitude toward us that they believe in the city and are willing to do their part in the development of the country, expecting, of course, to share in the fruits of our united endeavors.

T. G. M. Calhoun, mayor; Goode Montgomery, mayor elect; D. F. Gardinier, city clerk; W. F. Skaggs, commissioner; W. Eddes; Commercial Bank & Trust Co.; R. W. Yates, acting president and cashier; J. F. Calhoun, secretary Laurel Commercial Club; Crescent News & Hotel Co.; The Serkin Palace Market; Mrs. H. J. Bush; R. H. Graves, merchant; Maddox & Hughes; W. R. Maddox, Pryor Anderson, merchant; Ed Bryant, merchant; Ginsberg & Kaplan; W. E. Grocery Co.; G. W. Martin; W. B. Reddocks; H. G. Bruce, merchant; P. M. McDonald; M. Crux; Fertitta Bros., merchants; Joe Galbo, market; P. Pitarro; Marshall Ram, merchant; W. H. Brick; J. F. Craven; Williamson Grole; E. Rahann; J. O. Kelly; Ferris Ashmir; W. C. Singleys, market; W. E. Howard; Ed Byrant, merchant; J. C. and A. K. Gwinn; John Smith; Solomon Ram; T. M. Burrage; J. H. Walker; R. E. Carter; Y. J. Knight; Laurel Bakery; Star Café; H. J. Darlisle, merchant; Marahon Lumber Co.; E. L. Barlow; Getchloff Fordney Co.; C. S. Williams; O. A. Wilcox; J. D. Wright; J. R. McCraw, merchant; Wanson Southern Lumber Co., treasurer, by S. D. Blissell; M. L. Williamson; The Whitaker Co.; Whitaker & Smallwood; Thigpen & Foley, stringer; J. M. Ford, stringer; Birdie Welforn, stringer; W. A. Ruffin, stringer; J. A. Fokes; The Tate Co., by J. C. Coats, secretary and treasurer; Mrs. W. A. Skaggs; Zepernick Grocery, A. L. Yeager, manager; J. F. Smith; H. J. Peace Market; S. W. Carton; D. W. Hooper, merchant; Pinehurst Hotel; Singley Market; Gen Café, by Ada Howe, proprietor; W. Leferto; W. D. Dennis; Century Drug Store; Wallace Drug Co.; Ram & Co.

The CHAIRMAN. Mr. Mayer, you may now proceed with your argument on the constitutional question.

Mr. MAYER. Gentlemen, in as dispassionate and conversational way as I possibly can, I want to discuss just a few of the pivotal points with reference to the illegality of the pending bill.

I feel justified in saying that a good deal of the acute tendency of the present day toward the enactment of legislation, such as is embraced in the present bill, is undoubtedly due to the stringent and unparalleled war legislation that your body has enacted.

I am apprehensive that some of the departments of the Government are, unmindful of the fact that the power of Congress in time of peace is utterly different than what it possesses under the war clause of the Constitution, and legislation to an end never before attempted in the history of this Republic, has been enacted almost unanimously by the two bodies of Congress, so as to give to the ex-

ecutive departments of the Government every possible war power to bring that horrible catastrophe to a successful and speedy end; I am fearful that that situation which no longer exists is the inspiring motive for legislation such as that embodied in this bill now under hearing.

I was born in Richmond, Va., and possibly it may be I have inherited some of those State rights, Democratic fundamental views of our Government which have been so clearly, and I think successfully, enunciated by the great statesmen in the early days from that part of the country; but I have not been blind to the fact that the development of our country, the necessities of our institutions and of our people have required an enlargement of power so far as we kept within the four corners of the Constitution.

I have observed, as you all have, that power grows with what it feeds on, and no stronger, no more forcible demonstration of that statement can present itself than what is embodied in this bill.

I have nothing to do, and I shall not concern myself at all, with the economic principles of this proposed legislation. That is not in my domain. But there are a few underlying, controlling, legal factors which I believe will not be hurtful for you gentlemen to take into consideration when you have heard all the evidence.

I am not going to tire you with references to decided cases. I shall refer to a few well-established, well-enunciated principles that control the power of Congress and the Federal Government. One is that Congress can not engage in a private industry; that Congress can no more legislate and give power to the President to run, operate, and control, either by himself or through designated agencies, private industries than it can go into the business of manufacturing cotton cloth, or growing cotton, or growing wheat or corn. The line of demarkation, gentlemen, is plainly established when we consider that the power of Congress to legislate upon these questions is derived entirely from the clause giving you the power to regulate commerce; and when the subject matter of the legislation does not fall within the regulation of commerce your power ceases, and I submit to you gentlemen of the committee that, with the exception of two things in this bill, the rest of it is the regulation and control by the Government of a private industry; and if you can do this with a packing house; if you can do it with the operation of a serum plant; if you can do it with the operation and management of a rendering plant, you can manufacture buttons, or pins, or hairpins, boots, shoes, and the whole domain of business will fall within the power and control of Congress, and it will not be long before you will find knocking at the doors of this committee, and of the other committees of Congress, every dissatisfied element in the community, and there are always such elements. A community is never entirely at peace with itself. Some are always finding fault with others, justly or unjustly, and the great panacea for all these ills is an appeal to the legislative power of Congress.

I am not carried away by the fact that in the presentation of these views I am speaking as the counsel of Mr. Armour, because these are my views and these would be my views if I were not his counsel.

I shall not stop to read the bill nor to analyze its language, but I am going to give you my synopsis of what it seeks to accomplish.

and if I overstep the line of accuracy, I hope the gentlemen of the committee will check me.

The purpose of this bill is to give to the Government the right to acquire by purchase or condemnation various properties, stockyards, refrigerator cars, cattle cars, rendering plants, serum plants, office buildings in which members of the live-stock exchange have their offices, terminal facilities, newspapers; and, gentlemen, I will demonstrate, I think, to you the acquisition and ownership of slaughter-houses and packing houses, etc.

Now, I do not agree with the chairman of the Federal Trade Commission, who admits that the powers given by this bill are very drastic; that the powers in the first few sections, which give to the Government the right to acquire and to own, will not be exercised until the lesser power is enforced. I mean and he meant the section which gives the right to the Government to license—and his position is that the Government will exercise the least of the powers, the licensing—before it undertakes to enforce those which are more compulsory and more drastic.

I submit to you that the licensing provision is the most drastic in this bill. So that I will take the chairman of the commission at his word, when he says that the licensing provision will be the first one to which resort will be had.

Do you know, have you carefully and critically studied what that licensing section does? It gives the President of the United States the power, the right, to issue a license not merely to the operator of refrigerator cars and live-stock cars and to the owners and managers of serum plants and rendering plants, and to the owners of a newspaper or newspapers, but it contains the provision that the license shall contain such terms and conditions as the President, in his sole discretion, may insert in that license.

No man can be more respectful than I am to the eminent head of this Government, but the President of the United States would be more than human, he would be superhuman, if he, in his own person, could exercise these numerous, these manifold, these far-reaching powers and authorities.

That section further provides that if the President is not satisfied with the exercise by the licensee of the terms and conditions, that that license is revocable, and that ends the business of the packers.

You will also notice that in this bill the President is given the power to acquire real estate for the erection thereon of packing houses.

Now, let us take a concrete illustration, and I shall not draw either upon ingenuity or imagination. It is charged that the five so-called big packers are guilty of a combination; that they have violated the law, in this and in that; and the Federal Trade Commission, which is a branch of this Government and which exercises powers of far-reaching influence and importance is, as you gentlemen know, acting under the direction and control of the President. This investigation which led to this bill was undertaken at the instance of the President. I speak from the record.

Now, suppose the Federal Trade Commission, as it has found, has found Armour, Morris, Swift, Cudahy, and Wilson guilty of violating the antitrust laws of this country, and therefore guilty of the commission of a felony or felonies. What is the result? The com-

mission have so found. They have so reported to the world. True, in an ex parte hearing which words fail me to characterize the methods, but it has found the packers guilty. It makes its report to the President, as it has already made this report to the President, which is contained in Part Two, so-called, of its printed proceedings, and the President, under the pending bill, revokes the licenses of these five big packers. What then becomes of this industry?

Now, the chairman of the commission has said that this is the least drastic and the least important provision. What becomes, gentlemen of this committee and Mr. Chairman, of this greatest industry in America, if not in the world? It is destroyed by the revocation of the license without which the slaughterer and the packer can not continue his or its business. Do I stretch the language of the bill? Read it.

I hold in my hand the license under which Armour & Co. now operates under the so-called Lever Act or the food-control act; and, gentlemen of the committee, the food-control act is far from being as comprehensive, and as powerful, as controlling, and as tyrannical as is the bill which you are now considering. It is a short license under which Armour & Co. are acting.

Mr. ESCH. Will you insert it in the hearings?

Mr. MAYER. I will.

Mr. ESCH. I would like to have you read it and then insert it.

Mr. MAYER. I will read it, Mr. Esch. Here is the license:

[Not transferable. No. G 22980. United States of America, office of United States Food Administrator. License.]

License is hereby granted to Armour & Co. (Illinois), of Chicago, Ill., to engage in and carry on business in foods and feeds in accordance with the proclamations of the President and the regulations prescribed by him relating to such business, under an act of Congress entitled 'An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel,' approved August 10, 1917, or any amendment thereof.

This license is subject to revocation, for a limited or unlimited period, at any time for violation by the licensee, or by any officer, agent, or employee of the licensee—

And we have 68,000 employees, gentlemen. [Continuing reading:]

of any of the provisions of said act or any amendment thereof, or of said regulations now or hereafter in force.

The licensee is required, whenever called upon by the United States Food Administrator, or his representative, to furnish information and to make reports concerning his business in such detail as shall be prescribed, and shall keep such records of his business as shall facilitate the verification of information contained in said reports; and all property, books, records, and accounts of the licensee are at all times subject to the inspection of the United States Food Administrator or his duly accredited agent or representative.

This license is based upon the statements in licensee's application, on file with the United States Food Administration, Washington, D. C. All changes, such as change in firm or corporate name, new place of business, or changes in or additions to activities, must be reported immediately.

Dated July 17, 1918.

HERBERT HOOVER,
United States Food Administrator.

Mr. MONTAGUE. Mr. Mayer, if it does not interrupt you—

Mr. MAYER. Not a bit, Mr. Montague.

Mr. MONTAGUE. That is done under the war power of the Food Administrator?

Mr. MAYER. Under the war power.

Mr. MONTAGUE. Is it your opinion that revocation of the license prescribed can extend beyond the duration of the war?

Mr. MAYER. It can not, in my opinion.

Mr. MONTAGUE. So that that indefinite recall could not extend beyond the existence of the legislation itself.

Mr. MAYER. Not beyond, but I read it, Mr. Montague, as illustrative.

Now, this refers to the rules and regulations, and gentlemen, the rules and regulations promulgated by the President of the United States, I have here. The rules and regulations provide that the license shall be subject to revocation whenever the licensor finds or believes that the licensee has violated the conditions, and the conditions required in this license, and upon which it is based are of so startling a character, gentlemen, they are of such an unparalleled nature, that nothing but the overwhelming necessity of a great war which threatened to inundate this country and its people, and destroy all of its liberties and all of its rights, could justify them, but they had to be accepted.

I will say to such members of this committee as are lawyers, that you never have read any such incomparable and unparalleled document in the history of private or public affairs in this country. I am not complaining, but that is the license under which we are doing business.

Mr. MANTAGUE. Now?

Mr. MAYER. Now. And under this license if the licensor found that we made, or that any one of our 68,000 employees made, an inaccurate report or statement of the price or prices of live stock or the products of live stock, or if we did what the Federal Trade Commission has already found us guilty of doing, instantly the license could be revoked.

Mr. BARKLEY. Would it interrupt you if I asked a question?

Mr. MAYER. Not at all, Mr. Barkley.

Mr. BARKLEY. Have Armour & Co. experienced any great difficulty in complying with these regulations?

Mr. MAYER. We did not ask a question. We simply went on to do what was asked, and as an illustration of it, you were told yesterday that the price of hogs is \$17.50 a hundred live weight. Now, if we went into the market at the yards in Chicago or Omaha or Fort Worth or Sioux City and paid \$17.49 for hogs we would violate our license and the license would be revoked.

Mr. BARKLEY. Has there been any proceeding against Armour & Co. or any of its employees since that license was issued?

Mr. MAYER. None.

Mr. BARKLEY. Or any complaint by the Food Administration?

Mr. MAYER. None so far as I am aware, Mr. Barkley.

Mr. BARKLEY. So that Armour & Co. have been able to comply with these regulations during the past year?

Mr. MAYER. Yes; we have had to, and we have complied with them.

Mr. MONTAGUE. I did not catch that reply.

Mr. **MAYER**. I say we have had to and we have complied with them; but, gentlemen, if we had a free scope in business—I do not want to enter into the economic part—I do not know that they would be paying 17.5 cents per pound for live stock, live weight, and bacon selling at 70 cents a pound in consequence.

Mr. **BARCLAY**. It is safe to say that they would not do so unless they had to.

Mr. **MAYER**. They would not.

Now, gentlemen of the committee, I want to read one paragraph of a decision of the United States Supreme Court and then refer to but two other cases. I want to read a sentence from a decision of the Supreme Court in *Cotting v. Kansas City Stock Yards Co.*, reported in One hundred and eighty-third United States, page 79. The decision is by Mr. Justice Brewer, and the sentence I want to read is this:

The question thus presented is of profoundest significance. Is it true in this country that one who by his attention to business, by his efforts to satisfy customers, by his sagacity in discerning the probable courses of trade, and by contributing of his means to bring trade into those lines, succeeds in building up a large and profitable business, becomes thereby a legitimate object of the legislative scalping knife? Having created the facilities which the many enjoy, can the many turn around and say, "You are making too much out of those facilities, and you must divide with us your profits"?

Now, I use that as apostolate and call your attention to just two decisions, one by the Supreme Court recently rendered in the very much-discussed child-labor case. You, gentlemen, are familiar with it, but I may be pardoned for a minute's reference to it. That was a case where an act of Congress provided that if the labor of children between the ages of 14 and 16 entered into the production or manufacture of any article within 30 days prior to its shipment, it would be a crime to ship it across the State line. Now, that is the case, and for the benefit of the record I would like to give its full title, *Harmer against Degenhart*, decided in 1918 (247 U. S., 251).

The **CHAIRMAN**. By a divided court.

Mr. **MAYER**. By a divided court, and the greatest decisions in this country have been decided by a divided court.

Mr. **COADY**. Nevertheless, it is the law of the land.

Mr. **MAYER**. That is the law. The first case I ever argued in the Supreme Court, *Swan Land & Cattle Co. against Frank*, was decided by a divided court, and reported, I think, in 148 U. S., but it is the law of this country, though only a majority of the court concurred.

Now, the *Harmer* case, in 247 United States, holds that Congress has no power to regulate or to limit or to interfere with private industry, whether it be manufacturing cotton cloth or whether it be packing beans or killing and packing live stock.

Mr. **MONTAGUE**. When you say "that case" you mean the child-labor case?

Mr. **MAYER**. The child-labor case, yes; and it states distinctly and it holds conclusively that the power of Congress begins only with reference to the carriage in transportation, and that when Congress undertook to say that because the articles had been manufactured in a place where children between the ages of 14 and 16 were employed, and that therefore those articles could not be transported in inter-state commerce, the act was illegal and unconstitutional.

Mr. BARKLEY. Would you mind distinguishing between that case and the power that Congress does exercise in regulating shipments of beef and the character of beef that may be shipped from one State to another?

Mr. MAYER. That is when it enters into interstate commerce for transportation, and the distinction is drawn clearly in this case.

The CHAIRMAN. I understand that so far as this bill is concerned its constitutionality rests upon the power of Congress to regulate interstate commerce.

Mr. MAYER. And I am undertaking, Mr. Chairman, to show that with the exception of taking possession or ownership of the facilities of interstate commerce, no part of this bill is legal.

Mr. DEWALT. Mr. Mayer, will you permit me to ask you a question?

Mr. MAYER. Surely.

Mr. DEWALT. Is there not a clear distinction in all decisions so far as you have read them, or at least so far as I have read them, between manufacture and transportation of the manufactured article in regard to the commerce clause of the Constitution?

Mr. MAYER. That is the underlying and fundamental distinction going back to the old Knight case down to the last case—the child-labor case.

Now, this is a fundamental proposition of law, how can you by the exercise of the licensing power by the President give him the right if we violate the terms of the license to take our slaughterhouses and our packing houses and operate them. Of course, you gentlemen who are lawyers recall the first employers' liability cases where the Supreme Court held your statute unconstitutional, because you undertook to give certain rights to employees of carriers engaged in interstate commerce when those particular employees were engaged in what is known as local commerce, and the Supreme Court held the whole law unconstitutional, and the draftsmen of this present bill must have anticipated that parts of the bill may be unconstitutional because in the very last section of this bill it is provided that if any section or provision of this act shall be invalid for any reason then the invalidity of such section or provision shall not be construed to affect the validity of any other section or provision thereof.

Mr. ESCH. That is inserted in quite a number of acts and its use has become quite common.

Mr. MAYER. Recently, it seems to have come in since the employers' liability decision.

The CHAIRMAN. Oh, and before that, in any number of cases. It is getting to be almost a common practice, although some of the members of the committee object to it.

Mr. MONTAGUE. I object to it because you can not tie the Supreme Court by any such nonsense as that. That is a canon of construction which the Supreme Court itself has adopted in declaring a law constitutional or unconstitutional; the court is the judge of what is separable, and not the Congress.

Mr. MAYER. Yes; if it is capable of being separated.

The CHAIRMAN. There is another distinction, as I understand it, although I may not understand it correctly. We have the same trouble in Tennessee, and that is, wherever the court concludes that if it is unconstitutional in part the legislature probably would not

have passed the rest of it and in that case the act is declared unconstitutional.

Mr. MAYER. That is the doctrine of separability. That is, the court may say, if I may give a homely expression, suppose Congress, which of course it will not do, was to vote an appropriation of \$10,000 to build a monument to Mr. J. Ogden Armour and \$10,000 to build a monument to his lawyer, Mr. Levy Mayer, and one part should be found unconstitutional, the Supreme Court would probably say that if you had not passed the appropriation for both of those gentlemen, you probably would not have passed either, and therefore the whole law would fail.

The CHAIRMAN. The object of putting this provision in the bill is to let the court know that the other features of the legislation would have been passed by the legislative body regardless of the particular feature that may be unconstitutional.

Mr. MONTAGUE. But, Mr. Mayer, that is what the Supreme Court knows much better than what the Congress knows.

Mr. MAYER. Yes.

Mr. MONTAGUE (continuing). It is a rule of interpretation which it has adopted from its foundation in passing upon the constitutionality of legislation. It is a rule of the court put into a statute.

Mr. MAYER. Yes; and I am in complete accord with you.

Mr. MONTAGUE. It is by inuendo an offense to the judiciary.

Mr. MAYER. Congress can not, by act of legislation, lay down for the Federal Supreme Court a rule for constitutional interpretation.

The CHAIRMAN. I only refer to that to relieve the Federal Trade Commission of having any special conviction in this case that some of the bill would be held unconstitutional, because it is getting to be a rather common practice, whether it ought to be ceased or not.

Mr. MAYER. I want to say, Mr. Chairman, that enjoying, as I do, some acquaintance with the members of the Federal Trade Commission, I do not mean to be disrespectful when I say that Mr. Murdock is not a lawyer, Mr. Colver is not a lawyer, at least by occupation, and the distinguished ex-Governor Fort, of New Jersey, has been some years off the bench, and I think is quite advanced in years, and is a very nice gentleman; but I do not believe that any member of this committee, and certainly not the man who is addressing them, would feel fore-lost from indicating that the law is unconstitutional by the opinion of the Federal Trade Commission.

The CHAIRMAN. Not at all, but I am referring to the motive which you suggested that led you to believe that the commission itself felt that that part of its recommendations were unconstitutional.

Mr. MAYER. Mr. Chairman, I shall not undertake to delve into an attempt to ascertain what I believe was the motive of the Federal Trade Commission in submitting this law to your committee, and I may also be pardoned the comment that I am pleased to be told that this bill is not an act of legislation which has found its initiative in Congress but has come to it from the Federal Trade Commission, just as it is here now for discussion, as I understand.

The CHAIRMAN. Very nearly so.

Mr. MAYER. Now, just one more point. I do not know whether in the testimony which has been heard here, the name of the Jacob Dold Packing Co. has appeared. It has been impossible for me to read all the testimony taken here and the testimony taken before the

Senate committee, and to sit with Mr. Armour, and hear what he was testifying to; but in the Jacob Dold Packing Co. case some years ago this precise question was presented, the very identical question, and the case is known as *United States v. Boyer*, and it is reported in 85 Fed., 425.

In that case, under the then regulations of the Department of Agriculture, certain representatives were inspecting the slaughter-houses and packing houses of the Jacob Dold Packing Co. to regulate and control their business, and some employee of the Jacob Dold Packing Co. tendered a bribe to a Government agent; his name was Boyer, and he was indicted. A motion was made to quash the indictment on the ground that the statute which gave the Secretary of Agriculture the power was unconstitutional, because it interfered with local industry and was not interstate commerce. That case is unreversed, gentlemen, and is the decision of the courts. I mean the decision of the Federal court.

Now, apply this proposed statute if it becomes such. I am very glad that the name of the employee was Boyer and that he was not employed by any one of the big five packers, otherwise it may have been contained in the report of the Federal Trade Commission as proof that we were also indulging in bribery; but this time it happened to be the Jacob Dold Packing Co.

Now, to summarize, and I shall be glad, gentlemen of the committee, if it be desired, to submit a memorandum of the points with the authorities, because I have only alluded to three and there are many of them—

The CHAIRMAN (interposing). You have the privilege to extend your remarks in the record and to put in anything you want which you think will be of interest to the committee.

Mr. MAYER. Now, in conclusion, Mr. Chairman and gentlemen of the committee, the pending bill expressly gives the Government the power to acquire and own and to get by purchase or by condemnation, and it provides for an appropriation of \$500,000,000 as a revolving fund with which to acquire these properties. It gives the Government the right to run a newspaper; that is, to own and publish a newspaper. I do not know whether any of the members of this committee are connected with the publishing business.

Gentlemen, it almost staggers one to realize to what political—I use the term in its fairest sense—to what governmental extent the powers given in this proposed law will carry the Government. I say it staggers one.

I am not saying anything about the United States being in the business of manufacturing serums or sending its red-cap agents around the stockyards to buy dead stock and running a rendering plant. This great country engaged in the business of rendering tallow and lard and starine; but just as soon as you make this a law and the Supreme Court declares it constitutional, if it does, and I do not think it ever will, but if it ever does you have entered upon a sea of trouble, gentlemen, the end of which is sightless, because if those consuming the products of the packing houses are dissatisfied with the price—and, by the way, there are 100,000,000 consumers against a mere fraction of producers—then the gentlemen who grow cotton or grow rice or grow potatoes, or grow corn, or manufacture clothing, hats, caps, boots, shoe, underwear, ladies' garters, or men's

shirts will come to Congress and say, "Take charge of this industry. The men engaged in it are running a monopoly or are engaged in a combination in violation of law or violating the rules of competition."

Gentlemen, the proposition is so astounding that one used to the American principles of equality and right and liberty can hardly conceive that such a thing is possible even of discussion and consideration, much less of passage.

I am indebted to you, gentlemen.

Mr. ESCH. Mr. Mayer, I would like to ask just a question or two. Part 2 of the commission's findings is to the effect that a conspiracy does exist. Has the testimony secured by the Federal Trade Commission been presented to the Department of Justice as foundation for criminal proceedings under the Sherman Act?

Mr. MAYER. I understand, Mr. Esch, that it has been turned over.

Mr. ESCH. If that is true, and a conspiracy is found, then there would be a remedy against such evils as they are trying to strike at in this proposed legislation.

Mr. MAYER. Yes; I think it is three years in the penitentiary for every single offense.

Mr. ESCH. The objection to that procedure, as presented so far in the testimony, is the delay of the courts; that they want a more summary remedy.

Mr. MAYER. To which I reply, Mr. Esch—you are asking me to reply?

Mr. ESCH. Yes.

Mr. MAYER. That was the cry of the French in the days of the French Revolution; that has been the cry of all revolutionists and revolutionary movements, that the wheels of justice move slowly, although they may grind exceedingly fine. That has been the inspiration of revolutions and has been the capstone of all of those movements, to strike at the courts, and fortunately, as yet, that has not taken final hold in this country.

Mr. ESCH. The act creating the Federal Trade Commission gives it jurisdiction over matters of unfair methods of competition; am I right about that?

Mr. MAYER. You are entirely right, Mr. Esch.

Mr. ESCH. In this Part 2 of the Federal Trade Commission's findings they find in effect that these methods are unfair; or, at least, that is the inference to be drawn from the testimony, namely, wiring on, split shipments, part purchases, part or total ownership of trade journals, and percentage purchases of the live stock. Would the Federal Trade Commission under the act creating it to suppress unfair methods of competition have power to reach these alleged evils which I have recited?

Mr. MAYER. Beyond all question, Mr. Congressman.

Mr. ESCH. Under the law creating the Federal Trade Commission?

Mr. MAYER. May I interrupt you there?

Mr. ESCH. Yes; go ahead.

Mr. MAYER. And there they can not complain of the delays of the courts because they have charge of all the machinery. They make the complaint, they file the complaint with their own body, and they hear the case.

Mr. ESCH. They also hear other complaints. They can do it on their own initiative or they can hear complaints?

Mr. MAYER. Yes; if there is delay there it is their own fault.

Mr. ESCH. When doing that on their own initiative, or upon the complaint of any party offended, they bring the matter to issue and have a hearing, and as a result of that hearing they file an order to cease or desist?

Mr. MAYER. They do.

Mr. ESCH. If that order is violated, what is the next step?

Mr. MAYER. They apply to the United States circuit court of appeals for a mandatory injunction.

Mr. ESCH. That gives a trial in court.

Mr. MAYER. On the record that is made before them, and it is given expedition under the statute so it must be heard immediately. When I say the record made before them, so that I may be completely accurate, the defeated party has the right under certain circumstances to ask that additional testimony should be heard by the commission in order to show that the findings of the commission are inaccurate or erroneous.

Mr. ESCH. Is complete relief afforded and complete protection afforded to both parties to that proceeding?

Mr. MAYER. Absolutely.

Mr. ESCH. Then can it be deduced from what you state that there is sufficient law to-day to meet any existing evils in the meat-packing industry?

Mr. MAYER. There is not only sufficient law, Mr. Esch, but you are asking me apparently for my opinion?

Mr. ESCH. I am.

Mr. MAYER. The trouble in these days is that there is too much law; for every conceivable, pretended, real, or imaginary ailment in the commercial, industrial, manufacturing, or financial divisions of human life you will find a body of men, or you will find one man circularizing Congress, and being, or pretending to be, the president of some fancied great organization, asking for legislation and threatening the Congressmen that unless the legislation is enacted dire consequences will follow. That is the difficulty with the present conditions in this country.

In no other successful country on earth is there such a volume of legislation, Federal and State, turned out every day in the year.

Mr. SNOOK. Mr. Mayer, I would like to ask you a question about this Federal decision which you referred to. Do I understand you to say that the court in this decision held the act granting power to the Agricultural Department, to cause inspection of the meat, to be unconstitutional?

Mr. MAYER. I can not give you the provisions of the act.

Mr. SNOOK. Was it the act which provides for an inspection of meat?

Mr. MAYER. I am unable to tell you the provisions of the act, but if you will send to your committee room and get 85 Federal—I do not want to trust to memory, Mr. Congressman, as to what the provisions of that act were. It is the case of *United States v. Boyer*, 85 Federal, 425, and was decided as I have indicated.

Mr. SNOOK. You do not remember the duty which the Government officer was performing?

Mr. MAYER. My recollection is it was the inspection by agents of the Department of Agriculture—I make this statement with the

proviso that it is my best recollection—it was the act which permitted the Secretary of Agriculture to make inspection and examination through agents of the packing houses.

Mr. SNOOK. Notwithstanding that provision, they are still having Government inspection of meat?

Mr. MAYER. No, Mr. Congressman; I think only that which is actually sent in interstate commerce. They have an inspection only of meat that is shipped in interstate commerce; no inspection of local meat.

Mr. SNOOK. No inspection of the meat sold within the State where it is slaughtered?

Mr. MAYER. No legal power to inspect such meat, unless there be local inspection under the local police laws. My recollection is probably entirely accurate, that it was the act under which the Secretary of Agriculture made inspection and examination of the packing house and the packing-house products. The court held that interstate commerce is not determined by the character of the commodities.

Mr. PARKER of New Jersey. You have those regulations to which you referred a moment ago?

Mr. MAYER. I have.

Mr. PARKER of New Jersey. I think Mr. Fisher, or one of the witnesses, had them put in the record, but I would like to have them left here, if you can, so that they can be put in the record if they have not already gone in.

The CHAIRMAN. It was announced that he could do that.

Mr. MAYER. I will leave them with the stenographer.

(The regulations referred to follow:)

GENERAL REGULATIONS GOVERNING LICENSEES OPERATING STOCKYARDS OR HANDLING OR DEALING IN LIVE STOCK IN OR IN CONNECTION WITH STOCKYARDS.

REGULATION 1.—Definitions.

SECTION 1. Words used in these regulations in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

SEC. 2. For the purpose of these regulations, unless the context otherwise require, the following terms shall be construed, respectively, to mean:

Paragraph 1. *Act*.—Act of Congress approved August 10, 1917, entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel."

Paragraph 2. *Proclamation*.—The President's proclamation relating to stockyards, issued on June 18, 1918, under the act.

Paragraph 3. *Stockyards*.—Every place, establishment, or facility, commonly known as stockyards, conducted or operated for compensation or profit, consisting of pens or other inclosures, and their appurtenances, in which live cattle, sheep, swine, or goats are received, held, or kept for sale, feeding, watering, or shipment.

Paragraph 4. *Live stock*.—Live cattle, sheep, swine, or goats.

Paragraph 5. *Person*.—Individual, partnership, association, or corporation.

Paragraph 6. *Licensee*.—A person licensed under the proclamation.

Paragraph 7. *Stockyards licensee*.—A person licensed under the proclamation to conduct or operate stockyards.

Paragraph 8. *Commission men*.—A licensee engaged in the business of receiving on consignment, buying, or selling live stock in or in connection with stockyards for a commission or fee.

Paragraph 9. *Order buyer*.—A licensee engaged in the business of purchasing for another person live stock in or in connection with stockyards.

Paragraph 10. *Trader*.—A licensee, other than a commission man or an order buyer, engaged in the business of handling or dealing in live stock in or in connection with stockyards, including any person commonly known as a speculator or a scalper.

Paragraph 11. *Secretary*.—Secretary of Agriculture of the United States.

Paragraph 12. *Bureau of Markets*.—Bureau of Markets of the United States Department of Agriculture.

Paragraph 13. *Regulations*.—Rules and regulations prescribed pursuant to the proclamations.

REGULATION 2.—*Administration.*

SECTION 1. The Chief of the Bureau of Markets shall perform for and under the supervision of the Secretary such duties as may be required in enforcing these regulations.

REGULATION 3.—*General requirements.*

SECTION 1. Licenses required pursuant to the proclamation shall be prepared by the license division, United States Food Administration, shall have the signature of the Secretary affixed, and shall not be transferable.

SEC. 2. Each licensee shall give to the Chief of the Bureau of Markets, or any other duly authorized agent of the Secretary at such time, in writing or otherwise, and with or without oath or affirmation, as such agent may require, any information concerning the business of the licensee. Each licensee shall from time to time make general or special written reports concerning his business when requested by the Chief of the Bureau of Markets, on blanks furnished by him for the purpose.

SEC. 3. Each licensee shall during ordinary business hours permit any representative of the Secretary of Agriculture designated by him for the purpose to enter the place of business of such licensee and inspect any and all property stored or held in possession or under the control of the licensee, and all records pertaining to the business of such licensee. All necessary facilities for such inspection shall be extended to such representative by the licensee, his agents, and servants. Such representative shall be the President's duly authorized agent for the purpose of this regulation.

SEC. 4. Each licensee shall keep such records as will readily disclose his transactions as a licensee and as will make practicable the verification of all information given by him under these regulations. Each licensee shall adopt and use such forms of records as may be prescribed for his business from time to time by the Secretary.

SEC. 5. Licensees shall report in writing to the Chief of the Bureau of Markets, within 10 days thereafter, any change of address or in the management, control, ownership, or character of the business of such licensee.

SEC. 6. No agent or employee of the United States shall, without the consent of the licensee concerned, divulge or make known in any manner while he is such agent or employee or thereafter, except to such other agents or employees of the United States as may be required to have such knowledge in the regular course of their official duties, or except in so far as he may be directed by the Secretary or by a court of competent jurisdiction, any facts or information regarding the business of any licensee which may come to the knowledge of such agent or employee through any examination or inspection of the business or accounts of the licensee or through any information given by the licensee pursuant to these regulations.

SEC. 7. A licensee shall not make or exact any unjust, exorbitant, unreasonable, or discriminatory, and unfair commission, profit, or charge for buying, selling, receiving, holding, feeding, watering, shipping, or otherwise handling, or dealing in live stock or in connection with stock yards.

SEC. 8. A licensee shall not buy, contract for, hold, sell, or otherwise handle or deal in any live stock in or in connection with stock yards, or conspire, combine, agree, or arrange with any other person, for the purpose of unreasonably depressing or enhancing the market price of, or restricting the supply of, or monopolizing or attempting to monopolize, either locally or generally, any such live stock.

SEC. 9. Each licensee shall exercise special care in yarding, feeding, weighing or otherwise handling live stock in or in connection with stockyards, to prevent avoidable shrinkage, injury, or death of live stock or waste of feed.

Sec. 10. A licensee shall not engage in any discriminatory and unfair, or deceptive practice or device in handling or dealing in live stock in or in connection with stockyards.

Sec. 11. A licensee shall not make, issue, or circulate any false or misleading representation tending to depress or enhance the price of any live stock. The issuance or making public of market quotations, or any statements to any person regarding the price at which any live stock is being sold, which quotations or statements can not be verified from the records of such licensee or of other licensees or from an authorized governmental or other reliable source shall be construed as making such a false or misleading representation.

Sec. 12. A licensee shall not knowingly transact any business involving live stock in or in connection with stockyards with any person whose license for the transaction of such business is suspended or has been revoked under the act.

Sec. 13. Each licensee shall observe such requirements governing the classification and dockage of live stock as may be prescribed from time to time by the secretary.

REGULATION 4.—*Stockyards.*

SECTION 1. In addition to other necessary records, complete and accurate records of daily receipts, shipments, and local disposition of live stock shall be kept by all stockyards' licensees.

Sec. 2. Each stockyards' licensee shall provide and maintain adequate facilities and labor for handling, feeding, and watering promptly and efficiently the live stock usually offered to him in the course of his business.

Sec. 3. All feed supplied by a licensee to live stock in stockyards shall be fit for feed, and shall be sold and accounted for by actual or carefully estimated weight at a reasonable price.

Sec. 4. Sufficient weighing facilities must be provided in all stockyards to prevent unreasonable delays in weighing live stock when sold, and all scales so used must be maintained in such condition and so operated as to insure accurate weights.

Sec. 5. Each stockyards' licensee shall submit to the chief of the Bureau of Markets as soon as practicable true copies of all existing and proposed contracts and changes therein between such licensee and packing, rendering, serum, fertilizer, and other establishments relating to the handling of live stock in or in connection with the stockyards of such licensee.

Sec. 6. A stockyards' licensee shall not discriminate unfairly in the allotment of pens, alleys, or buildings for the yarding or handling of live stock, or in the assignment of sites for the erection of packing, rendering, and other establishments or otherwise in the services and facilities of his stockyards.

REGULATION 5.—*Commission men, order buyers, and traders.*

SECTION 1. Each commission man, order buyer, and trader shall so regulate his orders for feed and arrangements for the feeding, watering, and yarding at stock yards of live stock handled by him that there shall be no avoidable loss to the owner or other person for who such live stock is handled through carelessness, wastefulness, or delay on the part of such licensee.

Sec. 2. Each commission man shall disclose, in accounting to the owner or consignor of the live stock consigned to such commission man, the true identity of the purchaser of such live stock.

Sec. 3. A commission man shall not sell or dispose of live stock consigned to him to any person in whose business he has a pecuniary interest without promptly disclosing such fact to the owner or consignor of such live stock.

Sec. 4. Each commission man shall use his best efforts to see that the requirements of section 3 of regulation 4 are fully complied with as regards feed for live stock consigned to him.

Sec. 5. Each licensee who shall purchase for another any live stock in or in connection with stockyards shall, upon request by any interested party or by any duly authorized agent of the secretary, at the time of sale or thereafter, disclose the name and business address of his principal to such party or agent.

REGULATION 6.—*Interpretation.*

SECTION 1. Any licensee being in doubt as to the meaning of any of these regulations as applied to his business may refer the question in writing to the Chief of the Bureau of Markets, Washington, D. C., stating all the facts involved.

REGULATION 7.—*Publications.*

SECTION 1. The publication of information relative to the enforcement of regulations shall be made in Service and Regulatory Announcements of the Bureau of Markets and such other media as the secretary may from time to time designate for the purpose.

* * * * *

In accordance with my proclamation of June 18, 1918, and pursuant to the authority conferred on me by the act of Congress approved August 10, 1917, entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," the foregoing regulations are hereby prescribed and promulgated to govern persons licensed to engage in the business of conducting or operating stockyards, or of handling or dealing in live stock in or in connection with stockyards.

Done in the District of Columbia this 26th day of July, 1918.

WOODROW WILSON, *President.*

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

Whereas under and by virtue of an act of Congress entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," approved by the President on the 10th day of August, 1917, it is provided, among other things, as follows:

"That by reason of the existence of a state of war it is essential to the national security and defense, for the successful prosecution of the war, and for the support and maintenance of the Army and Navy to assure an adequate supply and equitable distribution, and to facilitate the movement of foods, feeds, fuel, including fuel oil and natural gas, and fertilizer and fertilizer ingredients, tools, utensils, implements, machinery, and equipment required for the actual production of foods, feeds, and fuel, hereafter in this act called necessities, to prevent, locally or generally, scarcity, monopolization, hoarding, injurious speculation, manipulations, and private controls affecting such supply, distribution, and movement, and to establish and maintain governmental control of such necessities during the war. For such purposes the instrumentalities, means, methods, powers, authorities, duties, obligations, and prohibitions hereinafter set forth are created, established, conferred, and prescribed. The President is authorized to make such regulations and to issue such orders as are essential effectively to carry out the provisions of this act."

And whereas it is further provided in said act as follows:

"That from time to time, whenever the President shall find it essential to license the importation, manufacture, storage, mining, or distribution of any necessities, in order to carry into effect any of the purposes of this act, and shall publicly so announce, no person shall, after a date fixed in the announcement, engage in or carry on any such business specified in the announcement of importation, manufacture, storage, mining, or distribution of any necessities as set forth in such announcement unless he shall secure and hold a license issued pursuant to this section. The President is authorized to issue such licenses and to prescribe regulations for the issuance of licenses and requirements for systems of accounts and auditing of accounts to be kept by licensees, submission of reports by them, with or without oath or affirmation, and the entry and inspection by the President's duly authorized agents of the places of business licensees."

And whereas it is essential in order to carry into effect the purposes of said act, and in order to secure an adequate supply and equitable distribution, and to facilitate the movement of certain necessities hereafter in this proclamation specified, that the license powers conferred upon the President by said act be at this time exercised to the extent hereinafter set forth.

Now, therefore, I, Woodrow Wilson, President of the United States of America, by virtue of the powers conferred on me by said act of Congress, hereby find and determine, and by this proclamation do announce, that it is essential, in order to carry into effect the purposes of said act, to license the importation, storage, and distribution of certain necessities, to the extent hereinafter specified.

All individuals, partnerships, associations, and corporations engaged in the business of conducting or operating, for compensation or profit, places, establishments, or facilities, commonly known as stockyards, consisting of pens or other inclosures, and their appurtenances, in which live cattle, sheep, swine, or goats are received, held, or kept for sale, feeding, watering, or shipment; and all individuals, partnerships, associations, and corporations commonly known as commission men, order buyers, traders, speculators, and scalpers, engaged in the business of handling or dealing in live cattle, sheep, swine, or goats in or in connection with such stockyards (except as exempted by said act of Congress), are hereby required to secure licenses on or before July 25, 1918, which will be issued under such rules and regulations governing the conduct of the business as may be prescribed under said act.

The Secretary of Agriculture shall carry into effect the provisions of said act and shall supervise and direct the exercise of the powers and authority thereby given to the President, as far as the same apply to the said business, and to any and all practices, procedure, and regulations applicable thereto authorized or required under the provisions of said act, and in this behalf he shall do and perform such acts and things as may be authorized or required of him from time to time by direction of the President, and under such rules and regulations as may be prescribed by the President from time to time. All departments and agencies of the Government are hereby directed to cooperate with the Secretary of Agriculture in the performance of the duties hereinbefore set forth.

Applications for licenses must be made to the law department, license division, United States Food Administration, Washington, D. C., upon forms prepared for that purpose.

Any individual, partnership, association, or corporation, other than as hereinbefore excepted, who shall engage in or carry on any business described herein, without first securing the license required thereof, will be liable to the penalties prescribed by said act of Congress.

In witness whereof, I have hereunto set my hand and caused the seal of the United States to be affixed.

Done in the District of Columbia this 18th day of June, in the year of our Lord 1918, and of the independence of the United States of America, the one hundred and forty-second.

[SEAL.]

WOODROW WILSON.

By the President:

ROBERT LANSING,
Secretary of State.

Mr. SANDERS. Mr. Mayer, I want to ask you something in regard to this Federal trade investigation, because I am interested in it. You are the attorney for Armour & Co.?

Mr. MAYER. I am the advisory attorney. The office attorney is Mr. Charles J. Faulkner, jr., who, I think, is a son of ex-United States Senator Faulkner, of West Virginia. I am the advisory counsel, by which I mean, if I may explain it, that I have other clients. I do not devote all of my time to the business of that company.

Mr. SANDERS. Are you attorney for any other packer?

Mr. MAYER. I am not.

Mr. SANDERS. The Federal Trade Commission investigated the packers and have reported their findings to the President, which report is before Congress to-day. You have read that report or parts of it, I take it?

Mr. MAYER. I have not read it in its entirety. I have read some little of it.

Mr. SANDERS. Are you familiar with the procedure had by the Federal Trade Commission in taking testimony and submitting its findings?

Mr. MAYER. I am in the matter of the taking of the testimony, but not in the matter of submitting its findings.

Mr. SANDERS. I want to ask this question, before I forget it, as I think it very important: I have heard their action referred to, both in your argument and quite a number of times in the testimony here, as an *ex parte* proceeding. Do I gather from that, and am I right in the conclusion, that when these gentlemen took their evidence and found a verdict of guilty against the packing industry, that there was no opportunity given to the defendants before the bar, if I may use such an expression, to introduce any evidence or to be heard by counsel or to explain any of the circumstances at all?

Mr. MAYER. None; not in the slightest or the most remote degree. Not only were we denied the right to introduce testimony, to call witnesses and present the facts, but we could not even cross-examine their witnesses, and we could not examine or explain their documents. We could not answer how this letter was written, or how that letter was written, or show what the answer was to any particular letter. We never had our day in court.

Mr. SANDERS. You do not mean to say that, if a witness took the stand to testify before the Federal Trade Commission, and if damaging testimony were given against, we will say, your client, Mr. Armour, you were denied the privilege of cross-examining him and testing his reliability or credibility?

Mr. MAYER. I say absolutely that was exactly the situation.

Mr. SANDERS. You were not even allowed to introduce evidence to prove whether he was a trustworthy individual?

Mr. MAYER. We were not allowed to introduce evidence of any kind, character, or thing at any time, anywhere.

Mr. SANDERS. Well, then, what credence can we, sitting here and considering this case, give to that finding?

Mr. MAYER. None whatever, if I may be permitted to say it. And may I use an illustration, with your permission?

Mr. SANDERS. No. I want to get this first. It is so incomprehensible to me that I want to get it without any misunderstanding at all.

Mr. MAYER. Let me put it to you.

Mr. SANDERS. Do you mean to say, Mr. Mayer, that the Federal Trade Commission undertook to investigate a great industry of this country, such as the packing industry is, preadmitting the question whether their actions were right or wrong, whether guilty or innocent, whether they have robbed or benefited the people; I say, preadmitting all that, do you mean to say that this commission undertook to investigate this great industry and then gave that industry no opportunity to be heard at all?

Mr. MAYER. Most decidedly. They gave us no opportunity, either direct or indirect, at any time, at any place, under any circumstances or conditions, to be heard.

Mr. VEEDER (of Swift & Co.). Just at that point, may I be permitted to say a word upon this subject?

Mr. SANDERS. I would like to finish this first.

Mr. HAMILTON. Who is this gentleman?

Mr. VEEDER. I am counsel for Swift & Co., and I have correspondence of Swift & Co. in which we demanded of the Federal Trade Commission—

Mr. SANDERS (interposing). I do not want to be interrupted here.

Mr. VEEDER. I beg your pardon. I thought this would be in furtherance of an explanation of the very matter about which you are requesting information.

Mr. SANDERS. Mr. Mayer, your answer to me is that the industry was not permitted or allowed to offer any evidence, nor to cross-examine witnesses, even, as to their credibility.

Mr. MAYER. Absolutely we were not given that opportunity, or any opportunity, notwithstanding I came here and made, I think, three trips to Washington. On one occasion Mr. Ogden Armour was with me to plead for the opportunity of having a day when we could be heard, cross-examine, introduce evidence, or explain matters.

Mr. SANDERS. I was leading up to that. Did you demand an opportunity to be heard?

Mr. MAYER. I did, sir.

Mr. SANDERS. And the next question is, that there must be some explanation of the attitude of the Federal Trade Commission, and I will be pleased to have you give me that explanation if you can.

Mr. MAYER. It is impossible for me, Mr. Congressman, to give you what explanation the Federal Trade Commission may have for its action in the matter.

Mr. SANDERS. No; but when they denied you the opportunity to be heard they must have given you some reason therefor.

Mr. MAYER. They gave us no reason.

Mr. SANDERS. What?

Mr. MAYER. They gave no reason. May I explain what the Federal Trade Commission did?

Mr. SANDERS. Certainly.

Mr. MAYER. They sent scores and scores of examiners to go through the files and the records of Armour & Co. I speak now only of Armour & Co.

Mr. SANDERS. To do what?

Mr. MAYER. To go through our files, our letters, our books, our records, and our accounts.

Mr. SANDERS. Under what specific authority did they do that?

Mr. MAYER. The law gives the Federal Trade Commission the right to examine any industry engaged in interstate commerce. Now, as these gentlemen came, and I want to be charitable and I will not characterize any lack of intellectual qualities in these gentlemen who went through the Armour & Co. offices and files, but my recollection is that Armour & Co. employ nearly a thousand stenographers. You may imagine the scope of the business. That figure may be a little large, but a very large number of stenographers were employed by Armour & Co. As they would find some letter that they thought tended to show a crime, that letter would be taken. There was no opportunity for us to show what the letter meant, why it was written, or what the answer to the letter was.

Mr. SANDERS. Wait one minute, right there. When they took a letter they, of course, took all of the correspondence so that we, the Government, might be informed as to the entire contents.

Mr. MAYER. They did not. And we have given you an instance in Mr. Armour's testimony in which there appeared in a letter a request to destroy that letter after it had been read. They put up the file of correspondence which showed that the packers had agreed on a price for lard compound, a substitute. And they did agree, but if

these examiners had allowed us to show the other correspondence, they would have seen that we were required to do it by the Food Commission, and that it had been done under the Food Commission's orders.

Mr. SANDERS. It is a fundamental principle of evidence that you can not take a separate sentence in a letter and make a case on it, and that you may not take separate parts of correspondence without presenting all that is relevant and has a proper bearing thereon.

Mr. MAYER. Mr. Congressman, as lawyer who has spent a number of years at the bar, I want to say that I have found new rules of evidence since I have come in contact with the Federal Trade Commission and its examiners.

Mr. SANDERS. Then, this report of the Federal Trade Commission which has been submitted to the Government is absolutely an *ex parte* showing without any opportunity having been afforded you, no matter how guilty you might be, to have had your day in court, seeking at any rate if not to prove your innocence to show extenuating circumstances.

Mr. MAYER. You have stated it with exact correctness, sir.

Mr. DILLON. Mr. Mayer, following that line a little further, your explanation is that all these exhibits in part 2 of the report of the Federal Trade Commission were thus obtained, through these examiners coming into the offices and looking over the files.

Mr. MAYER. I can only speak for Armour & Co. The papers that they had were obtained by examining our files and records.

Mr. DILLON. Did Armour & Co. voluntarily surrender up its files? There was no objection to it, was there?

Mr. MAYER. No; we could not object. Naturally, they were entitled to the letters or copies of them. If we had obstructed them, or if the Federal Trade Commission could prove secretion or destruction or removal of a document it is punishable up to three years in the penitentiary.

Mr. DILLON. After the report of the Federal Trade Commission, wherein do you get a hearing, at what stage of the proceedings?

Mr. MAYER. We do not get any, Mr. Congressman. Do you mean this proceeding that is now going on?

Mr. DILLON. Yes.

Mr. MAYER. We got none. I asked for one with all of the positiveness I could use. Of course, I was not offensive and not insulting, but I asked the Federal Trade Commission about it, and as I said on yesterday, I wrote a personal letter to the President.

Mr. DILLON. Suppose an injunction was brought against you as operating in restraint of trade, that would be your first opportunity to get a hearing, would it not?

Mr. MAYER. Yes, sir.

Mr. DILLON. Is there any way open to you, as you find this law, by which you can get a hearing by moving affirmatively?

Mr. MAYER. Not unless the Federal Trade Commission allows it.

Mr. DILLON. It can only originate in the form of an injunction to restrain you people from your activities by reason of proceedings in restraint of trade.

Mr. MAYER. May I enlarge a little in answer to that, Judge Dillion?

Mr. DILLON. Certainly.

Mr. MAYER. They have the right, and the law prescribes that if they find us guilty to direct that we quit, and if we do not quit, then they apply to the United States Circuit Court of Appeals for an injunction. The burden is then on us to resist their findings, though we may have never had any day in court and never had the slightest opportunity to explain, answer, correct, clarify, or give our theory of the situation.

Mr. DILLON. Leaving that phase of the case, let me ask: In your legal argument do you not contend, as I understand it, that the Government could not purchase property and go into the beef-packing industry?

Mr. MAYER. I do contend it most seriously.

Mr. DILLON. You think the Government could not do that?

Mr. MAYER. They would do it illegally, in my opinion, if they did attempt to do it.

Mr. DILLON. Under what phase of the law do you say that this Government could not buy a packing plant and operate it itself for the welfare of the people?

Mr. MAYER. I will answer you in this way: The only power that the Federal Government has, and I am speaking of the United States Government, you understand, is the power given to it by the Constitution. Nowhere within the four corners of the Constitution, either express or implied, or in the interpretations given to the Constitution by any court, State or Federal, has the Government been authorized, or may there be found authority, to engage in the packing business or in the manufacture of boots and shoes, or any other private industry. I have on my memorandum here a number of such decisions that it can not be done.

Mr. DILLON. That raises a very interesting proposition. According to your claim that under the law the Government can not go into any activity in the production and distribution of anything, is that it?

Mr. MAYER. No; it can not.

Mr. DILLON. That must be left to personal initiative of its citizens.

Mr. MAYER. Private initiative. The Government, of course, could build a railroad, because it is interstate commerce and to carry the mails—post roads and post office.

Mr. DILLON. Under your construction of the Constitution you claim that the Government could take over the banking industries and furnish money to the people at central points in order to develop the commerce of the country?

Mr. MAYER. The United States Supreme Court has held that the banking business falls within the power of Congress—comes within the provision of the coinage and other clauses. This is fully gone into in *McCulloch v. Maryland*, 4 Wheaton, page 16, the decision being by Chief Justice Marshall.

Mr. DILLON. If that be true of the banking industry, why isn't it true of the commerce of the country in the way of grating relief in the food supply?

Mr. MAYER. You fail to distinguish between the commerce of the country and the manufacture of articles that enter into commerce. If I may be permitted, I will say that the carrying on of the banking business—and you will recall from your reading that the first United

States Bank and the second United States Bank, the second one being stopped during the time of Andrew Jackson, I believe, that both of these banks were held to be a part of the functions of government under the Constitution. All this is exhaustively shown in *McCulloch v. Maryland*, 4 Wheaton.

Mr. DILLON. Then you would qualify that general answer with the proposition that if it relates to general commerce——

Mr. MAYER (interposing). Interstate commerce.

Mr. DILLON. To interstate commerce; then the Government can do it.

Mr. MAYER. Interstate commerce; yes, sir.

Mr. DILLON. Then, going back to that question again: What rule of law would prohibit the Government from going into the packing industry at Chicago and making interstate shipments, leaving out domestic affairs of the State, and making no local shipments whatever.

Mr. MAYER. Because the Federal Supreme Court has decided time and again that it is not interstate commerce to manufacture.

Mr. DILLON. Yes; but they base that upon the general proposition that the manufacture in itself will not indicate whether it will ever enter interstate commerce or whether it will be received and used only locally, within the State.

Mr. MAYER. No.

Mr. DILLON. That is the basis of those decisions, isn't it?

Mr. MAYER. No, Judge Dillon.

Mr. DILLON. Well, let us go back to the case, and I can not recall it now, a Pennsylvania case, I think, in which the court held that they could not tell whether the commerce would ever go into other States, or cross State lines, and therefore they could not interfere with it and could not stop it because it might go into interstate commerce, meaning that it might be used locally only.

Mr. MAYER. May I put a question to you?

Mr. DILLON. Certainly.

Mr. MAYER. Do you think that the Government, under the interstate commerce act, could open the earth and operate a coal mine? Coal is just as necessary as food.

Mr. DILLON. I think so, if they will deal with it in interstate shipments.

Mr. MAYER. The Supreme Court has held that coal mining is not interstate commerce.

Mr. DILLON. What case do you refer to?

Mr. MAYER. I have it in my brief here but do not know that I could give it offhand. Yes; it is the case of *Delaware, Lackawanna & Western Railroad v. Yurkons* (238 U. S., 439). I call your attention also to *United States v. Delaware & Hudson Co.* (213 U. S., 366).

Mr. DILLON. I would state that where you can find any element of product within the domestic lines of a State that there is no right to control it, on the part of the Federal Government, because it belongs to the State. But when it is manufactured for the purpose of interstate shipments, and interstate commerce, then the right to control it exists under the interstate laws of the Constitution.

Mr. MAYER. No; I think not. May I put another question to you? If they can do it with the packing industry, they can also do it with boots and shoes?

Mr. DILLON. Yes, sir.

Mr. MAYER. And hats, and caps, and clothing?

Mr. DILLON. Yes, sir.

Mr. MAYER. That is where you and I differ.

Mr. DILLON. There has got to be a line of demarkation somewhere.

Mr. MONTAGUE. But you don't want that line anywhere.

Mr. COADY. Mr. Mayer, you discussed that fully in the early part of your argument.

The CHAIRMAN. Oh, yes; that has been gone over fully.

Mr. DILLON. It is along the interstate commerce line, where you said the Government might control and operate it so long as it is in interstate commerce.

Mr. MAYER. No; I didn't state anything of the kind, Judge, if you will permit me to correct you. I said that the Government may carry it in transportation, but not manufacture it.

Mr. DILLON. When you put in your brief I wish you would cover those points.

Mr. MAYER. All right.

Mr. MONTAGUE. I suggest that you put in the case referred to in relation to coal mines.

Mr. MAYER. Yes, sir. I could give it to you now if I could find it quickly, but at any rate to same time I can put it in.

Mr. COADY. Well, when you extend your remarks, Mr. Mayer, put it in.

The CHAIRMAN. You can put in anything you wish to in extending your remarks.

Mr. DILLON. Do you think that these matters of combination that are existing in this country could ever be thoroughly regulated by persistent, constant pressure on the part of the Department of Justice?

Mr. MAYER. Yes, sir.

Mr. DILLON. You think that could be effectively done?

Mr. MAYER. That can be done, Judge.

Mr. DILLON. Let me call your attention to a phase of this matter which has occurred under my personal knowledge. In my State, about 15 years ago, we enacted a legislative enactment to the effect that insurance companies could not by agreement fix rates. Now, since that time that has become a dead letter so far as the State is concerned. Why? Because the insurance companies would hold a banquet, and select a leader, and that leader would fix the prices, and all insurance companies that dealt in my State would have the same rate for insurance. Now, how will the judiciary reach that? That is what I don't know.

Mr. MAYER. By having a man who will collect the evidence honestly and present it capably and by having an efficient judiciary.

Mr. DILLON. But every one of these gentlemen will come in and say they have never made any agreements. It is just like the packers say they never made any agreement, when they are buying at the same price.

Mr. MAYER. Well, my dear Judge Dillon, is there any way under God's Heaven by which a man can answer a charge except by saying I did or I didn't. That is the only way to get at the truth. Do you want a man who is charged with murder, simply because cir-

cumstantial evidence points strongly toward his guilt, to come in and plead guilty?

Mr. DILLON. How are you going to prove any of this?

Mr. COADY. As a matter of evidence.

Mr. MAYER. Yes, sir.

Mr. DILLON. I have introduced several bills here, and I do not see that I have gotten anywhere, putting the burden of proof upon the other fellow.

Mr. MAYER. Do you think that fair?

Mr. DILLON. I think so, in a way. By way of proving a certain state of facts, that that shall make a *prima facie* case, and thereupon the burden of proof shall be shifted to show good faith in the transaction. Do you believe in that kind of work.

Mr. MAYER. No, sir. I do not believe this body or any other legislative body can with safety or in fairness change the rules of evidence which are the result of nearly a thousand years of accumulated experience.

Mr. DILLON. Well, now, if we eliminate that phase of judicial proceeding, where you can not shift the burden of proof, how will you stop such practices as I have mentioned? Let me also call your attention to the lumber industry. It is all over the country and we might just as well face it. I do not believe that there is any competition any more in the lumber business. In fact, if there is any competition in any line of trade I do not know where it is. For instance, the lumber companies, as I alluded to it on yesterday—three of them exist in one town in my State. A buyer goes to them and he gets an estimate. Instantly that is telephoned to the other dealers. Now, there is no doubt about that situation and we might just as well face the proposition. That is true of the coal industry. It is true of many grocers, in a measure at least.

Mr. MAYER. May I ask you a question there, Judge?

Mr. DILLON. Yes, sir.

Mr. MAYER. That is in South Dakota?

Mr. DILLON. It is in all States.

Mr. MAYER. This lumber illustration that you used?

Mr. DILLON. Yes, sir.

Mr. MAYER. That is your State?

Mr. DILLON. Yes, sir.

Mr. MAYER. Why haven't you stopped it by laws passed by your legislature, changing the rules of evidence?

Mr. DILLON. We did get them up, and they have found it didn't do to enact them. I notice by this record that these packers were restrained at one time from illegal combination.

Mr. MAYER. They have all complied, and so far as Armour & Co. are concerned I say it positively, with every letter of that injunction. In no way has that been violated.

Mr. DILLON. Have you any remedy by which you can stop these combinations that exist in trade everywhere, and that every sensible man, it seems to me, must concede exist; that in this evidence of Mr. Colver's there is constant restraint of trade and there are combinations?

Mr. MAYER. You call for an answer and I will answer it. Great Britain has become the leading commercial nation on earth and they have no such laws. France has become one of the leading

nations of the earth and it has never had any such laws. Germany, until it undertook to violate every rule of right, of God, and of man, was one of the great commercial nations of the earth, and it never had any such laws. They give free scope to the work of the people and natural commercial gravitation will find its bearings.

Mr. DILLON. I am seeking remedies for these conditions.

Mr. MAYER. You have all the remedies now, and why not enforce them? You can not have any more, and properly use them, and that is the trouble.

Mr. DILLON. I think we must concede that these evils exist, and I want a remedy.

Mr. MAYER. You would like to do as they did in Japan 300 years ago, cut a man in four quarters and then find out whether he is guilty.

Mr. DILLON. Oh, no.

Mr. MAYER. Isn't that so? Because you want to change the burden of proof.

Mr. DILLON. Oh, no; that is not it. I want to regulate the evils that exist in this country, and that every man ought to concede do exist, that combinations are controlling the trade, and I want a remedy for that.

The CHAIRMAN. Judge Dillon, it is now five minutes to 12 o'clock.

Mr. DILLON. One more question. I did not quite get my chance before, and I would like to continue these question for a moment or two.

Mr. Mayer, what do you say to the point that these industries should take out Federal charters, and that those Federal charters should limit the amount of money invested and put them under an examination similar to the banks of the country?

Mr. MAYER. Well, Judge Dillon, you might as well ask me what I would say if you tried to invert the rule as to the direction in which the blood flows from the heart to the system and back. You may try to invert it, to change it, but the subject will be dead. If you limit the amount of money, or amount of capital, or amount of profit one can make—

Mr. DILLON (interposing). I am not talking about the amount of profit.

Mr. MAYER. Well, you said the amount of capital.

Mr. DILLON. Yes, sir.

Mr. MAYER. What do you think would have been the condition in the great war if there had been a thousand packers in the United States to meet the war demand for 40,000,000 or 60,000,000 pounds of frozen beef within a few days.

Mr. DILLON. What is your judgment about the limit?

Mr. MAYER. The sky would be the limit for industry and commerce if this country is to realize its destiny. Combinations and unlawful agreements can be controlled by law. There are plenty of existing laws for that purpose. Taxation is the way to curb excessive profits.

Mr. DILLON. Do you think that a couple of men should control every element of the food supply for our people?

Mr. MAYER. That is utterly impossible, Judge Dillon.

Mr. DILLON. Oh, no; if you have money enough.

Mr. MAYER. Oh, no. It would break of its own weight. Such attempts have always failed and always will fail. Economic laws are more effective than are legislative acts.

The CHAIRMAN. You have had more than your time, Judge Dillon, and there are other members of the committee who want to ask Mr. Mayer a few questions.

Mr. DILLON. All right; I will stop here.

The CHAIRMAN. Mr. Dewalt, you may now interrogate Mr. Mayer.

Mr. DEWALT. In your argument on the constitutionality of this act, as I understood you, and if I am mistaken I wish you would correct me, you draw a line of demarcation between manufacturing and transporting. Is that correct?

Mr. MAYER. Yes, sir.

Mr. DEWALT. As I understand you, you further claim that the right of regulation as to manufacture is a right which is still inherent in the State?

Mr. MAYER. It is, Mr. Congressman.

Mr. DEWALT. And you also claimed in your argument, if I am not mistaken, that Congress, under the Constitution, has no powers, except those which were delegated to it by the States and not reserved by the States to themselves?

Mr. MAYER. Precisely.

Mr. DEWALT. And as I understand you further, your argument is that the commerce clause of the Constitution, while it includes all of the objects of commerce, it does not have power of regulation by legislation so far as manufacture exclusively is concerned, but only for the transportation of those articles after they are manufactured?

Mr. MAYER. You have put it more accurately than I have been able to state it.

Mr. DEWALT. Can it be better and more clearly expressed than in these words, and this is an answer to what Judge Dillon has been trying to bring out. I am quoting from a case in 128 United States:

Whenever a commodity has begun to move as an article of trade from one State to another, commerce in that commodity between the States has commenced, but this movement does not begin until the articles have been shipped or started for transportation from the one State to another.

Isn't that a clear enunciation of the law?

Mr. MAYER. That is clearly the law and is strongly so held in the Dold Packing Co. case, U. S. v. Boyer (85 Fed., 425), and in the Child-Labor case, Hammer v. Dagenhart (247 U. S., 251).

Mr. DEWALT. That is your argument?

Mr. MAYER. Positively and without any doubt.

Mr. DEWALT. That is all I care to ask.

The CHAIRMAN. Mr. Barkley, you may take the witness.

Mr. BARKLEY. Mr. Mayer, you complain about the method by which the Federal Trade Commission proceeded with its examination. You are aware of the fact that this examination or investigation was not instituted by the Federal Trade Commission of its own initiative?

Mr. MAYER. Under a letter from the President of the United States.

Mr. BARKLEY. They were directed to do so.

Mr. MAYER. But not as to the manner of conducting it.

Mr. BARKLEY. I understand. But they were directed to make the investigation?

Mr. MAYER. They were; by a letter from the President of the United States.

Mr. BARKLEY. Your view is that whenever the Federal Trade Commission found anything suspicious in any records or transactions of any of these packers that they ought to have called in the packers and had a trial of that matter then and there?

Mr. MAYER. They should have given them an opportunity to explain the matter before proceeding with an accusation, and this I understand to be one of the underlying factors for the passage of the Federal trade act.

Mr. BARKLEY. Do you think there is anything illegal about the method of investigation that they made?

Mr. MAYER. Well, there is no law that covers it.

Mr. BARKLEY. You can answer yes or no, whether there was anything illegal.

Mr. MAYER. Undoubtedly. They violated every fundamental principle of American citizenship.

Mr. BARKLEY. You are looking at this matter principally from the standpoint of legality.

Mr. MAYER. Yes, sir.

Mr. BARKLEY. Was there anything illegal in the way they made this investigation?

Mr. MAYER. In my opinion, yes; because they were improper and unfair, and anything that is improper and unfair, in my opinion, is illegal.

Mr. BARKLEY. Based upon the law that created this Federal Trade Commission, which was reported by this committee—

Mr. MAYER (interposing). I think it is illegal because whenever there is a complaint filed with the Federal Trade Commission that law requires—

Mr. BARKLEY (interposing). In this particular case, this was not the result of any complaint filed.

Mr. MAYER. I think it was.

Mr. BARKLEY. What was the complaint?

Mr. MAYER. A letter from the President of the United States in which he said that it is rumored or charged that combinations and conspiracies and pools exist.

Mr. BARKLEY. Well, that is not a complaint. It was contemplated in the law that when any citizen, or the commission of its own initiative, found a specific violation of the law, and complaint was made, that an investigation was to be had. That was a direction from the President to make a general investigation of the packing business.

Mr. MAYER. May I put a question to you?

Mr. BARKLEY. You may put it.

Mr. MAYER. I do not mean that you need to answer, because you are my controller here.

Mr. BARKLEY. I do not think I am.

Mr. MAYER. Suppose there had been found in your files a letter addressed to you in which it was stated something like this: Now, the other night, when we met we undertook and agreed that we would pass that forged note on the First National Bank of New York. Now, Mr. Barkley, suppose you were away when that letter came to your

office, but examiners of the Federal Trade Commission found the letter. And suppose it is published as evidence of a conspiracy between you and the sender of that letter. Suppose when you got back from from San Francisco, or wherever you happened to be, you took that letter—or I will suppose that you did not reply to it at all, that it was so offensive and such an insult, and we all receive letters of an offensive character on one subject or another, and you would not dignify it with an answer. Don't you think you would be entitled to a day before the Federal Trade Commission? Or suppose you answered promptly upon your return, and in your answer you said, "You are a dastard to make such a suggestion to me; what do you mean?" But suppose you were not allowed to put that letter in or to show you wrote such a letter, and given no opportunity to present your side of the case. I may tell you that as to these letters and records that they have introduced into the case, and that they have picked out, I mean the Federal Trade Commission, each and every one will have its complete answer or some good explanation. And it is a failure to give us that opportunity that I am complaining about.

Mr. BARKLEY. You asked me a question and I will answer it.

Mr. MAYER. I would like to have you answer it.

Mr. BARKLEY. If I were being investigated by the Department of Justice or any other Government agency, or by the Attorney General, on a forged note, I wouldn't expect them to ask me about this particular forged note. I think that answers your question with reference to the methods adopted by the Federal Trade Commission in investigating the packing industry. But you have not answered my question.

Mr. MAYER. I will try to do it.

Mr. BARKLEY. As to whether the Federal Trade Commission committed any illegal act in its work based upon the act creating the commission or any statute of the United States, in making the investigation in the manner in which they did.

Mr. MAYER. I can point to none.

Mr. BARKLEY. The same complaint is made by every person who is investigated by the Department of Justice to determine whether a crime has been committed. Wherever evidence tending to show crime has been submitted for a decision as to whether it will justify taking the matter before the grand jury, the defendant, or the person charged with the crime, of course would like to be admitted to the Department of Justice to explain the matter. But if I am correctly informed the Department of Justice does not call in every person whom it may investigate in order to determine whether the thing may be explained away. The Federal Trade Commission were not charged with trying out all these various questions, but with making an investigation.

They have submitted their evidence to the Department of Justice to determine whether crimes have been committed, or whether the department would be justified in proceeding against the packers. Now, if the packers are to make complaint that they were not permitted to deny or explain all these things in the investigation thereof, could not the same complaint be made by everybody who is investigated by the United States Government before legal proceedings are instituted to bring them to justice?

Mr. MAYER. I would answer most decidedly that your supposititious case is not at all analogous, with all due deference to you, and for this reason: The Department of Justice makes an investigation, and if the investigation justifies the Department of Justice in thinking some offense has been committed, then the evidence is taken before a grand jury where the offender lives. Suppose the grand jury finds no bill. That ends it. There is no publicity. Suppose the grand jury finds a true bill and what is the result? There is a trial and the person charged with an offense has his day in court.

Now, gentlemen of the committee, in this case the Federal Trade Commission acted as investigator, judge, jury, and pronounced judgment. They found us guilty. It is not analogous, Mr. Barkley, to the case you speak of. We have been announced to the world as guilty of certain offenses, that announcement being made by a branch of the Federal Government. That is the distinction; that is the difference.

Mr. BARKLEY. Let us take another case: There has recently been an investigation before a Senate committee with reference to pro-German propaganda in the United States. I do not mean to draw a comparison, but that simply illustrates what I am trying to bring out. The Department of Justice has had its agents all through the country making investigations. They do not go to a suspected man, to a man who is under suspicion, to find out what he has to say, but they have gone to various sources. Now, in the investigation before the Senate committee agents of the Government have given publicity to certain facts which they have gathered. Of course, those facts have created a suspicion in the minds of the public; and they have in some instances done some American citizens an injustice. But is the Department of Justice to be condemned because they did not permit this man or that man to go before them and give them an opportunity to explain all these suspicious circumstances before making this matter public?

Mr. MAYER. I will answer your question. That committee of the United States Senate in hearing the evidence of the intelligence department of the Government gave those against whom charges were made their day in court and permitted them to appear and answer.

Mr. BARKLEY. The Department of Justice did not give them any such opportunity.

Mr. MAYER. No; and the Department of Justice made nothing public.

Mr. BARKLEY. It made the evidence public.

Mr. MAYER. No, sir. It was not made public except as the witnesses appeared before the committee, and these other persons were permitted to appear before the committee and to answer and to have their day in court and to give public answer to what had been said.

Mr. BARKLEY. Would you have expected the Federal Trade Commission, after being directed to make this investigation by the President, to have kept its report and proceedings secret and not to have made their findings public?

Mr. MAYER. By no means, but after they had given us an opportunity to be heard. They could have said to the public: We think the evidence shows so and so, but these packers have answered it so and so.

Mr. BARKLEY. Your contention is that you have been illegally attacked?

Mr. MAYER. No; that is not it. My complaint is that the whole proceeding has been unfair and unjust.

Mr. BARKLEY. Have not all commissions proceeded in the same way?

Mr. MAYER. I do not think I have ever at any time heard of any. If so, I would like to have its name.

Mr. BARKLEY. I think you can find in some instances the same investigations.

Mr. MAYER. How do you mean?

Mr. BARKLEY. Some secret investigations.

Mr. MAYER. Oh, as to secret investigations, all right.

Mr. BARKLEY. These investigations were secret.

Mr. MAYER. No, sir; they were public.

Mr. BARKLEY. When were they made public?

Mr. MAYER. From day to day; from week to week; while the examination was going on.

Mr. BARKLEY. By whom?

Mr. MAYER. By the Federal Trade Commission and its special examining counsel who conducted the proceedings entirely ex parte and gave us no opportunity to appear, to cross-examine witnesses, to explain, to answer, or to produce testimony. The doors were shut to us. In Chicago we were refused the right to even have a stenographer present.

Mr. BARKLEY. So this was really a public investigation?

Mr. MAYER. Yes, sir; without our being given an opportunity to be present and to be heard.

Mr. BARKLEY. The members of the press were present and heard what was going on?

Mr. MAYER. Yes, sir; but only one side and that a prejudiced one.

Mr. BARKLEY. And it was not a star chamber proceeding?

Mr. MAYER. No; if it had been a star chamber proceeding or a secret investigation we would not have complained.

Mr. BARKLEY. But it is the publicity?

Mr. MAYER. It is the ex parte publicity, it is the matter of being condemned in advance without our having any hearing.

Mr. MONTAGUE. Relating to the case cited by Mr. Barkley as analogous to this case, in which he referred to some pro-German propaganda, that related to the espionage act, which was a war measure, and a war measure wholly, and nobody could justify that in time of peace.

The CHAIRMAN. Mr. Mayer, we are very much obliged to you for your constitutional argument.

Mr. HAMILTON. I would like to ask a question or two. Mr. Mayer, whom did you see on the three occasions when you came to Washington?

Mr. MAYER. At one time I saw the three commissioners, Governor Fort, Mr. Murdock, and Mr. Colver. On another occasion, Mr. Armour and I saw ex-Governor Fort and Mr. Colver. My recollection is that Mr. Murdock was not present. On the third occasion my recollection does not serve me as to who was present, but at least one commissioner was present, and I think two. I know that

ex-Governor Fort was present. He was then chairman of the commission, as I remember it. I made three trips, Mr. Congressman, to Washington for that purpose.

I might go a little further, gentlemen, in regard to the matter that I referred to on yesterday. We were so desirous of getting both sides before the public, if there were two sides, and no man can say whether there are two sides to a question until he has heard both sides; and it was for that reason that we resorted to every legitimate effort to be heard. And I might state that I made a special visit to Mr. Stone, the general manager of the Associated Press, and he is now abroad or he could give you his version of it.

The CHAIRMAN. We thank you, Mr. Mayer. Now, is Mr. Louis F. Swift present?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Mr. Swift, we will be glad to hear you.

STATEMENT OF MR. LOUIS F. SWIFT, PRESIDENT OF SWIFT & CO., CHICAGO, ILL.

The CHAIRMAN. Mr. Swift, you can proceed with your preliminary statement, or your statement in chief, just as you may desire to do, and there will be no interruption of your preliminary statement until you have finished making it in the order in which you desire to present it.

Mr. SWIFT. I thank you. I wish to say, Mr. Chairman, that I am the president of Swift & Co., and claim to understand the practical lines of the business of Swift & Co. pretty well from the beginning. It has been just about 40 years since by first connection with the company. It began with the buying of cattle in the stockyards at Chicago. We had only one packing house to begin with in Chicago, and that was a very small one.

I want to say in the first place, that at the beginning of Swift & Co.'s business, my father bought all the cattle. After a few years he had to go to the packing house and the office and I bought all the cattle for a few succeeding years. I was followed in turn more or less through the same channel by five brothers who are now in the business and connected with me.

At the beginning of the business I remember it was all we could do to get together one carload of beef to ship in one day. In fact, at first, it took two days to get one car, and finally we would get a whole car in one day. After a while we got to two cars in one day, and so on, until at the present we have come up to a point of getting a thousand carloads of meat in one week, which was furnished to the allied Governments in the recent war through the Food Administration's orders and instructions.

At the beginning of the business and for a good many years afterwards we were able to buy the best cattle in the stockyards as low as 4 cents a pound and sometimes lower. Then everybody was perfectly well satisfied. Now we are paying for those same cattle from 16 cents to 18 cents a pound, and apparently nobody is very well satisfied.

I might say that at the beginning of this business, when it was small, we had no partners. The business belonged to my father and his brother, my uncle. But gradually as the business became larger, we needed more money; we were always short of money,

and never could tell where we would get the money together to-day to pay for cattle to-morrow. And for that reason, and in order for the business to grow, we made a stock company of it, and took in as many other stockholders as we could get. We would offer this stock to the public and to our friends, and anybody who would buy it, anybody who would let us have the money to conduct this business with. They always paid \$100 a share for it. They never paid any more, not into the treasury of Swift & Co., and they never got any for any less. It was always put out at \$100 a share; and it was through that means that we got our working capital for the business to grow. In the course of development it has grown to the point where we have now about 25,000 stockholders, and there are about 5,000 of those who are employees, and about 8,000 of the total number of stockholders are women.

It is needless for me to say that we object to the report of the Federal Trade Commission. We objected and object to the way in which the investigation was conducted in general. It was very unfair. It was handled in a very sensational way, always giving the packer the worst side of it, and being fair to our side of it in no respect whatever.

I will mention, just as an instance, that in one of their reports they stated that the packers handle 565 different kinds of articles. I think that evidence has been put in here. I have had that list checked over, and of the number they stated there are 65 articles that related to our storeroom. For instance, we have supplies in our storeroom. We might have to buy a few thousand baskets or a few thousand buckets or some cloth or some paper. And if we shipped any of that to any other plant or transferred it to another department, why that was put under the head of articles we dealt in. There are, as I have said, 65 cases like that.

Furthermore, there are about 50 articles in that list that Swift & Co. does not handle at all. The report is so prepared as to give this kind of inference or construction: Amongst the articles they say the five large packers handle are mentioned soda-water supplies, grape juice, or something like that. Now, in order to have been fair, that statement should have said that just these articles, soda-water supplies and grape juice are handled by one packer. Four packers do not handle them. It is not fair to pick out here and there an article that one packer is handling and charge it up to all of them. For instance, I see in the report it says the packers handle coca-cola. I did not know that before. It surprised me. But the inference naturally to be drawn from that report is that all of the packers have gone into it. I looked it up and found that Armour's salesmen did take some orders for coca-cola. And the report should have said that just one packer handles coca-cola and should not have put out the inference that all of the packers do.

Another thing: In the list of stockyards that they submit they have the statement that the 5 larger packers are interested in so many stockyards, I think, giving a total of 33 stockyards. That list covers the stockyards at El Paso, Tex., a very small stockyards, and owned entirely by Morris & Co. The report shows that they have 100 per cent of the stock of these stockyards. At the same time, El Paso stockyards are contained in the list of stockyards controlled by the 5 large packers. You would naturally infer from that that all five

of them were interested in the El Paso stockyards. There are a good many other similar cases. Over here at Newark, N. J., we have a stockyards for the purpose of unloading live stock. We slaughter stock there and have to unload them, and have to have chutes, and to have pens, but it is not a market. There is nobody who buys or sells anything there. We naturally own 100 per cent of the stockyards, the same as we do the packing house. But those stockyards come under the Federal Trade Commission's list of stockyards owned by the 5 large packers. The public would think that all five of them are interested.

I would like to say just one word about the size or the volume of business. It has come to such size that we are taxed beyond all endurance. At the present time Swift & Co. have in their pork cellars alone 250,000,000 pounds of product. A decline in the market of 1 cent a pound isn't so very much, if you consider a pound or two, but if you consider the total amount in our cellars it would mean \$2,500,000. A decline of 5 cents a pound would mean \$12,500,000.

Now, Mr. Chairman, there have been quite a few misstatements made before this committee. It is in order, and I have the opportunity to say something about them now, or shall I take it up a little later?

The CHAIRMAN. Proceed with your statement just as you may desire to do so.

Mr. SWIFT. Speaking of the things that are unfair to the packer, and what we are complaining about in this connection is, Mr. Heney has stated that the packers' profits for the year 1918, under the Food Administration, were as large, or larger, he said then, than they were the lie and that has gone to the press that Swift & Co. was spending a million dollars a month for advertising during the past year. I hold in my hand an affidavit by Mr. Arthur D. White, who has charge of our advertising contract, certifying that Swift & Co. spent for the entire year ending November 2, 1918, \$1,700,000, which equals fifteen one-hundredths of 1 per cent on the volume of sales for said year. This covers everything: Posters, calendars, yearbooks, and everything of every kind, and I suppose is the least cost on the turnover of any industry in the United States. I have had some averages made and think the average is from 3 per cent to 5 per cent for firms in other lines of business. I also have another affidavit from Mr. Edwin L. Ward, office manager and accountant, certifying to the same thing. I will now ask that they be put in the hearing.

(The affidavits referred to are as follows:)

STATE OF ILLINOIS,

County of Cook, ss.

I, Arthur D. White, being first duly sworn upon oath, do depose and say that I am employed by Swift & Co., a corporation, Chicago, Ill., in the capacity of advertising manager; that the entire advertising expenditure of Swift & Co. for the fiscal year ending November 2, 1918, was less than \$1,700,000, which is approximately fifteen one-hundredths of 1 per cent (fifteen one-hundredths of 15 per cent) on the volume of sales for said year.

That I am of the opinion that the attitude of the consumer toward the manufacturer of any product is a considerable factor in determining the purchase. The favorable attitude on the part of the buyer is an asset to the seller, and the constructive nature of the advertising done by Swift & Co. during 1918 has been considered not only from the standpoint of the public having a better

understanding of the fundamental facts of the business, but of creating a demand for Swift & Co.'s products.

That I am also of the opinion that all of the advertising of Swift & Co., of every nature, has assisted in creating a demand for Swift & Co.'s products.

ARTHUR D. WHITE.

Subscribed and sworn to before me this 20th day of January, 1919.

[SEAL.]

EDGAR B. KIXMILLER,
Notary Public.

STATE OF ILLINOIS,
County of Cook, ss:

I, Edwin L. Ward, being first duly sworn and upon oath, do depose and say that I am employed by Swift & Co. a corporation, Chicago, Ill., in the capacity of office manager; that the total amount of money expended by said Swift & Co. for advertising of every description, including show cards, posters, and advertising material of every nature, as well as space in newspapers, magazines, and periodicals, did not exceed \$1,700,000 for the fiscal year ending November 2, 1918.

EDWIN L. WARD.

Subscribed and sworn to before me this 20th day of January, 1919.

[SEAL.]

EDGAR B. KIXMILLER,
Notary Public.

Mr. SWIFT. Now, gentlemen of the committee, you can see what we are laboring under. I appreciate this opportunity of being able to give our side of the question. I will try to be frank and fair, and will be glad to answer any questions or to go into any subject in connection with this matter that the committee desires to go into. Of course, you realize that it is a big problem and a complicated one, and there are two sides to it. Cattlemen and producers are always wanting to get more money for their product if they can, and the consumers in the East are always wanting to get their food cheaper if possible.

In this connection, I wish to say most emphatically that Swift & Co. has no agreement of any kind with other packers to control the prices of live stock or meat, to control the division of live-stock purchases, or to divide territory in the purchase or sale of products. There are cases in which we have cooperated with other packers in the joint ownership of general facilities, such as stockyards, but this joint action has been for the purpose of providing facilities which either did not exist or which existed in imperfect form, and such action extends in no way to the control of prices or shipments. The packers are in open and keen competition with each other in the purchase of live stock and the sale of beef; they are not connected in any way.

Perhaps the most conclusive proof of what I say is that, after investigation of over a year the Trade Commission is unable to deny that the profits of the packers are so small that they could be wiped out without affecting the price of live stock or the price of meat by more than a fraction of a cent a pound. It is difficult to see how this profit could be lower, and there is no other business that is conducted on such a narrow margin. This profit also fluctuates from week to week, and often becomes a loss. During 18 weeks of the year ended June 30, 1918, for example, Swift & Co. either made no money at all or suffered an actual loss on its beef operations. Certainly if there were a combination it would be worthless if it could not prevent losses and if it could not result in more than a fair minimum living profit.

Referring to what has been said about construction of new plants and opportunity of outsiders to come into the business, I wish to say

that I believe there are more new plants being built now than I have known of before, and that outsiders have an equal opportunity to enter the packing business with anyone now in the business. I will enumerate some of the plants. At Kansas City there is a plant being built and that is about ready for operation, known as the Ruddy Packing Co. At Omaha there is a new packing house being built called the Skinner Packing Co., said to cost \$3,000,000. It is next to our plant in Omaha. Their railroad tracks go through our property. I think possibly we could have prevented their tracks going through our property, but we did not try to do it. At Sioux City there is a packing company called the Midland Packing Co., the buildings for which alone will cost about a million dollars. The Anheuser-Bush people at St. Louis are erecting a packing plant and going into the packing business with a million dollar packing house.

Mr. Colver explained to you on December 19 that he believed that the packers exercised a control over prices by means of a division of live-stock receipts. He said:

The commission believes and has reported that in the marketing of live animals it has found that a free market does not exist, in that five very large packing concerns—and the five largest in the country—divide amongst themselves proportionately and in a continuing proportion the purchase of the live animals.

The statement that a free market does not exist is absolutely incorrect. It is based upon the unproved assumption that there is an agreement covering the proportionate purchase of live stock. No such allotment or agreement does exist, and the market is just as free and open to anyone who wishes to sell or purchase live stock as the Union Station in Washington is open to the public.

I would like to say in justification of Swift & Co.'s connection with stock yards, and I have in mind three cases—St. Paul, St. Joseph, and Fort Worth—where the stock-yard companies were absolutely wrecked. The yards were of no use whatever to anybody. There were practically no receipts and no packing houses. Citizens of the respective territories came to us, and they were joined by the live-stock owners and producers, ranchmen, and cattle feeders, and they begged us to come and interest ourselves in these stockyards. They showed us the failures that had been suffered, and after considering the matter we concluded that we would go there, and those stockyards have been built up to a point of 100 per cent efficiency. They do a large volume of business, and, as far as I know, they are a big credit and help to the industry.

I to-day have one or two propositions from people who have come to us. One of them is the city of San Francisco, and I could name other cities. The State Live Stock Commissioner for the State of California has said that his State needs an outlet for its live stock, that it needs a public market. He has said, "We want you to interest yourself and try to organize and arrange a stockyards company." While we haven't come to any conclusion on the matter, I cite this instance because these are the things that come up to us from time to time. When we do what we think is good for the community, and what we think is good for the industry, then somebody comes along and says we have no business to do it. So you see it is pretty hard for us to tell what to do.

There is another point that gives the public a very unfair inference. A list has been made up of towns and cities, and Omaha, St. Joseph, and Kansas City appear in that list. That comes under the list of stockyards in which the five large packers are interested. You would think from the report that all five packers have an interest in each yard. That is so far from being correct that I want to explain. Mr. Morris is the only one I know of who has any interest in the Kansas City stockyards. So we will put Mr. Morris down as having an interest in the Kansas City stockyards. The nearest stockyards to that place is St. Joseph, Mo. As to the stockyards at St. Joseph we are the largest stockholder there. I want to make myself clear. Morris has a lesser amount of stock in these same stockyards, but it is generally known as a Swift stockyard. Up at Omaha, Mr. Armour is the only packer I know of interested in those yards, and that is generally known as an Armour yard. I will make the possible exception there that our interests have a hundred and seventy-five thousand dollars of stock in the Omaha stockyards, and we have had it for about 15 years, and it is carried in the pension fund in Chicago. That is of no consequence. I had really forgotten it was there. So we have the Omaha stockyards as an Armour yard, and the St. Joe stockyards as a Swift yard, and the Kansas City stockyards as a Morris yard. So you will see that the facts are so different from the assumption that all five packers are interested in these three yards. They are in fact competitors, one with another. These stockyards have got to exist. They have got to give service, and they have got to have receipts or there will be no profits, and if they do not get receipts there will be nothing for the packing houses to handle. So this in itself brings out competition that exists, showing competition among the stockyards, and competition among the packers instead of there being a combination, as might be understood unless it were explained.

As to this matter of refrigerator cars and branch houses, I will leave that until afterwards.

The CHAIRMAN. Mr. Swift, if it will not inconvenience you, we will take a recess now until 2 o'clock. You may then begin where you leave off.

Mr. SWIFT. All right.

(And, at 1 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. Mr. Swift, you may proceed with your statement.

Mr. SWIFT. Mr. Chairman, in line with our not having had an opportunity to explain any of these papers or letters that were taken from our files, I wish to read into the record here a telegram that I sent Chairman Harris, of the Federal Trade Commission, dated February 12, 1917, as follows:

FEBRUARY 12, 1917.

Chairman HARRIS,

Federal Trade Commission:

I have seen in the newspapers President Wilson's letter addressed to you directing an inquiry into the cost of foods. Wish to inform you that the books and records of Swift & Co. will be freely opened to the commission and to its representatives and that the officers and employees of the company will,

upon your request, be pleased to furnish the commission with any and all information in its possession in reference to that part of the business under investigation with which the company has to do. I especially think that the commission should endeavor to ascertain the reasons for the failure of the production of live stock to keep pace with the increase in population. I respectfully suggest that any investigation of this question as regards meat must, in order to be thorough, cover the entire industry from the calf to the table.

LOUIS F. SWIFT.

I also sent the same telegram to Secretary Houston, of the Department of Agriculture, as follows:

Secretary Houston,

Department of Agriculture:

I have seen in the newspapers President Wilson's letter directing an inquiry by the Federal Trade Commission and your department into the cost of foods. I wish to inform you that the books and records of Swift & Co. will be freely opened to the department and to its representatives, and that the officers and employees of the company will, upon your request, be pleased to furnish the department with any and all information in its possession in reference to that part of the business under investigation with which the company has to do. I especially think that the department should endeavor to ascertain the reasons for the failure of the production of live stock to keep pace with the increase in population. I respectfully suggest that any investigation of this question as regards meat must, in order to be thorough, cover the entire industry from the calf to the table.

LOUIS F. SWIFT.

I also sent the same telegram to President Wilson, as follows:

President Wilson:

I have seen in the newspapers your letter addressed to the Federal Trade Commission directing an inquiry into the cost of foods and I have to-day wired Chairman Harris of the Federal Trade Commission and Secretary Houston of the Department of Agriculture as follows:

Then followed the telegram.

On October 10, 1918, I sent this telegram to Mr. Colver:

CHICAGO, October 10, 1918.

Mr. W. B. COLVER,

Chairman Federal Trade Commission, Washington, D. C.:

The summary of your report on the meat-packing industry, dated July 3, 1918, and released for publication August 18, 1918, contains many very serious charges against Swift & Co. which we feel are not based on a correct interpretation of the evidence collected.

Swift & Co. believes that it should have been given an opportunity to discuss and explain the evidence and data collected by the commission in its investigation of the meat-packing industry before the publication of the summary, and that such explanation would have saved the commission from doing the packing industry a serious injustice.

It is to be presumed that the commission's full report, when published, will contain the evidence and data collected in its investigation, together with its conclusions and recommendations.

For the purpose of pointing out to the commission the full meaning and significance of the data it intends to publish in its full report, Swift & Co. requests that it be permitted to submit for the consideration of the commission its explanations and interpretation of the evidence and data collected in its investigation, and, for the purpose of preparing its explanation and interpretation of said evidence and data, Swift & Co. requests permission to go over said evidence and data with the examiners of the commission.

Swift & Co. will accommodate itself to any reasonable requirement that the commission may deem necessary or proper in the premises, and will in every way possible facilitate such examination and consideration of the evidence and data collected by the commission.

SWIFT & Co.

LOUIS F. SWIFT,

President.

In reply to that telegram I received on October 11, the following:

WASHINGTON, D. C., October 11, 1918.

LOUIS F. SWIFT,
Union Stockyards, Ill.

Your telegraph tenth:

If your attendance is found desirable you will be advised.

By direction of the commission.

COLVER, *Chairman.*

I will add that we have never been advised that we could appear in response to our request.

You will notice that my telegram to Chairman Harris and to Secretary Houston, of February 12, 1917, state that I thought the investigation should cover the entire industry, from the calf to the table. I want to explain why I put that into the telegram: As I understand, this investigation started about 1916, perhaps in the middle of that year. Some unsatisfactory conditions had existed in the live-stock industry, caused by the foot-and-mouth disease. At that time all the natural rules and laws about the shipping of live stock to the different markets in the country were upset. Nobody could tell when they could ship their cattle. The most they could tell was that they could not ship at all. But the Chicago market happened to be a market that was open longer than others, and was open when other markets were not open. There were a good many cattle shipped to Chicago, but they were not allowed to be sent out alive. That shut off one of the principal outlets for shipping these cattle. The thing became congested, and cattle naturally sold cheaper for that reason. It was unfortunate. Cattle were too heavy and too fat, and nobody could get the kind of cattle or the assortment they wanted. There was not capacity enough in the packing houses to kill these cattle and the packing industry was generally upset, and the foot-and-mouth disease conditions made prices lower than they should have been at that time, both on cattle and on hogs.

This resulted in a meeting of a committee from the American National Live Stock Association. By arrangement they came to Swift & Co.'s office in the stockyards. This was on December 7, 1916. There were present Mr. Dwight B. Heard, who was the president of the association at that time; Mr. L. E. Burke was there; A. E. DeRicqles; Walter L. Fisher; John B. Kendrick. I might say that Mr. Fisher is one of the counsel who has appeared before your committee, and Mr. Kendrick is the originator of the bill that is now under discussion in the other committee; and W. J. Todd, of Kansas; J. H. Mercer, of the Kansas Live Stock Association; and the representatives of the five large packers. There was an agreement made on the following lines: It was agreed that the packers would not oppose an economic investigation by the Federal Trade Commission of their entire meat industry from the producer to the consumer. I think the words used were "from the ranch to the table." A full investigation was to be made provided there were no criminal charges made against the packers in advance of the taking of evidence. You will understand that this was a joint committee that met together to talk over the complaint about these low prices. From that meeting, which I understand was followed from time to time by the work of the Federal Trade Commission, and its report, we get down to date. But you will notice that there has disappeared

from the investigation anything about the ranch, or anything about the table—meaning retail distribution of meat—and it has just centered on the one point, the packing industry, and of that industry only on the five large packers. There are these other two things we are interested to know. We want the public to know about conditions on the ranch and the profits therefrom, and conditions about retail distribution and profits. However, we were not able to accomplish anything on that. For some reason the President's letter to the Federal Trade Commission, ordering this investigation, and I have a copy of it here, dated at the White House, Washington, February 7, 1917, does not seem to have been followed. He orders them to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in conjunction with their preparation, manufacture, etc.

Now, this order says "foodstuffs." That is an order to make a real investigation of foodstuffs, and it should have covered all other foods. But the investigation centered upon the packer, and I have neither heard nor seen any other report on any other food products. This is a point that I want to explain to you, gentlemen of this committee, to show you what we consider has been unfair in regard to the matter.

Now, I want to speak a word about branch houses, as that is one of the important points that is contained in this bill. It has been stated to you gentlemen that these branch houses were a part of transportation. I read here that on December 19, when Mr. Colver appeared before you, he compared our branch houses with railroad freight houses, and said that such freight houses should be open to all on equal terms. He complained that these freight houses were privately owned by the packers, and said that the use of these facilities was not granted to competitors in the same line of business.

I wish to say, gentlemen of the committee, that our branch houses are not freight houses. They are salesrooms. They are facilities especially constructed for efficiently taking care of our business, which involves the carrying of stocks of perishable goods for, in some cases, a considerable time, and therefore we draw the goods from these houses as they are sold. These goods as they arrive at destination are delivered to Swift & Co. in car lots on the track. Say a car of stuff comes in. Our representative finds out if it has been damaged in transit, or if any accident has happened to it, and if not, he signs the receipt for the delivery of that car, and that is the end of the railroad's connection with the matter.

When once we open that door and find there has been no fault of transportation then the burden is entirely upon us. If we see fit to put in branch houses and install telephones, and clerks, and hire automobiles and horses and wagons at considerable expense to use in our business at a cost of from three-quarters of a cent to 1 cent a pound, it is not a matter of transportation. There would be just as much reason and just as much excuse for this terminal station over here in the city of Washington to be enlarged, and to put in rooms, and to make arrangements to let passengers remain there for a few days after they reached Washington. That is just as fair a comparison as it is to say that our branch houses are a part of transportation.

As to the question of smaller packers, I want to say that outside of what are usually termed the five large packers, there is a class of packers, 25 or 30 medium-sized packers, who all more or less have branch houses. There is another class, the smaller butchers and packers that have branch houses scattered around the country to some extent. There are as high as 200 or 300 altogether all over the United States of these smaller people. There is nothing in any way to prevent them from having branch houses, just the same as they would build a packing house, if they considered it to their interest. But some of them are too smart to have branch houses. They know better and get along without them. I know of some packers, and there are a couple of quite large-sized packing houses over here at Baltimore, one owned by Mr. Martin and one owned by Mr. Greenwalt. They do quite a large business, and they ship a great deal of fresh meat right here to Washington. They do not want branch houses. They seem able, as other small packers are, to sell their stuff to arrive and have it delivered to the wagons and to markets right from the railroad tracks. This branch-house question, in my opinion, is a good deal of a bugaboo. It is not what it has been given out to be by some people.

I want to state, in relation to what I mentioned this morning, that by reading the reports you would infer that all of the packers have got into the grocery business or got into the cereal business. That is what is unfair about it. If there were only one packer in the business it would be fair to give that fact. I want to say that Swift & Co. do not handle any coffee, nor any rice, nor any cereals, and they do not intend to do so. It is unfair to have that insinuation go forth that they do handle them. There was a point made on December 20 by Mr. Colver with regard to handling canned salmon. Mr. Colver said:

In the last two or three years, and since these interests have become very greatly, very heavily interested in the salmon-canning business, prices for canned salmon have advanced very much out of proportion to other similar products, and with no reason, no economic reason, no reason that can be given that is a good reason, except that control which has come into that industry.

Now, that is an insinuation. And, gentlemen of the committee, these are the facts: Libby, McNeill & Libby do put up canned salmon. They used to be owned by Swift & Co. but they are not now. They are separated. They are the largest canners of salmon, or packers of salmon. In the first place, I want to say that statistics for one year covering the salmon pack shows 8,000,000 cases. Libby, McNeill & Libby pack only 485,000 cases. That is 6 per cent of the total. That is to say, there are only two packers that I know of who are packing salmon. One is Libby, McNeill & Libby, and they pack 485,000 cases, which is 6 per cent of the total, and the other is Wilson & Co., who pack about 160,000 cases, and that is 1½ per cent of the total. They are the only two meat packers that I know of packing salmon, and you will see what a small percentage it is as compared with the general inference given in the statement.

Mr. HAMILTON. You say they pack salmon. Do you mean that they catch salmon up in Alaska and pack them?

Mr. SWIFT. Yes, sir. They have a packing house up in Alaska, and it comes along in their business simply because the question of tinning salmon and the question of preserving meat is the same thing

as at a beef-canning factory. It is the same line of business. They send their manager up there and catch fish with their own boats or they buy the fish in the market; that is, from the fisherman or the fish dealer, or from whomever they get it.

Mr. HAMILTON. Do you mean that they buy the fish already canned?

Mr. SWIFT. Oh, no. They buy them fresh.

Mr. HAMILTON. They probably have canneries right there at the mouth of some salmon stream in Alaska.

Mr. SWIFT. Yes, sir. Now, I do not know what the assumption was, but the question was brought up that because some of the packers were packing salmon, and intimating that they had a large percentage of the business, was controlling the situation, whereas it turns out that they have only about 7 per cent of the business. There was an insinuation that there was some danger of the country's supply becoming exhausted. I want to say here to this committee that there is no more danger of the country's supply of salmon being depleted by the meat packers being in the canning business than of the other interests being in the canning business, because the fish laws of the respective countries protect these fish and they are thoroughly enforced.

The question might properly be asked me, I suppose, if there was anything wrong with the packing business; what, in my opinion, was wrong with the business; and I want to say that, in my opinion, the only thing that is wrong with the packing business is the public impression that there is something wrong with it.

If the impression which has been created by means of statements inflaming public prejudice could be removed, the need for all this legislation would also be removed. I could go on explaining the different charges that have been brought against us, but I presume I may be asked about that later. I want to explain my opinion about the cars, and I want to give an explanation of what has been said about bumping posts, the manufacture of bumping posts, about the manufacturing of the Chicago Bearing & Metal Co. I want to explain about our connection with the Hurni Packing Co. at Sioux City.

Mr. ESCH. Why not do it now, as you proceed?

The CHAIRMAN. If you have something written up, it can all go in this record whether you read it or not. You can state the substance in some instances more briefly than you have written it up, but you can put in a written statement if you prefer.

Mr. SWIFT. I will first treat the subject of refrigerator cars. That seems to be one of the items at issue. I have already explained about the wholesale markets, what the situation was, and that there was not an item of transportation in relation to the movement. If the railroads or the Government want to build some wholesale markets for the smaller packers, that is perfectly proper. There is a misconception about the words "cold storage." A wholesale market has what we call a refrigerator that is kept at a temperature of 30° to 40°. The meat is not frozen there and it is not kept frozen.

There is another kind of buildings that are called cold-storage buildings or freezers. Now, the packers only own a small per cent of what is owned in the United States. Perhaps the packers might own 10 or 20 per cent. The other 80 per cent is owned by public cold-

storage companies. You can go right down in Washington and find several public cold-storage companies. There are in Baltimore, also. In New York there are dozens of them. So the cold-storage proposition is not a question of the packers monopolizing them.

I happen to know at the present time that the English Government have got—I am not violating any confidence, because it has been a matter of public record—the British Government have got in the United States now about 50,000 tons of frozen beef. That is about 150,000 cattle in the freezers. They are gradually shipping those to England. It might take five or six weeks to ship them. I do not think any of them are in the packers' freezers. I only say that to show to you that the freezer storage proposition is not one that the packers could control or that they predominate in. It is true a packer might have a freezer of his own in New York or Philadelphia or Chicago, but that is a small item compared with the public freezers in the same cities.

MR. PARKER. You meant 50,000 pounds, did you not, instead of 50,000 tons?

MR. SWIFT. Fifty thousand tons, and there are about three cattle to a ton, and that makes 150,000 cattle. I only say that to illustrate the big volume of freezer and the cold-storage business outside of the packers. There are companies in Chicago and companies everywhere that build these cold-storage buildings. They put in frozen beef one month. That comes out and they put in butter in the same room, and that comes out and they can put in eggs in the same room after it has been emptied. That is a matter of public utilities just the same as any other storage would be.

As to the question of the volume of their whole business that the five largest packers do, it is very much misunderstood. Right here in Washington you can find out by asking other people that are local here in Washington for an estimate of the percentage of fresh meat that is sold in this city by the five largest packers, and I will venture to say it is not much over half, perhaps a half. The other half is supplied by the other packers, established in, say, Chicago, Kansas City, Indianapolis, Cincinnati, and by local killing; you will have a large local killing element here, and there is a general misunderstanding about the volume that the five largest packers do in all respects, and it comes about this way: The five large packers have to have what you call interstate inspection; you can call it Government inspection; it is the same thing. Inspectors from the Department of Agriculture come to your packing house, perhaps a dozen of them in our packing house in Chicago, and you are under their jurisdiction. You have to keep your repairs and equipment up to their standard. They examine the character of the product which passes through the house, and if it is anything that they think is not right, they mutilate it in such a manner that it goes to the soap tank, and they make soap grease out of it. That is fair; we are satisfied with that. It, of course, makes a large loss, but we think that is right; that ought to be done. But when they say the figures show that the five large packers do 81 per cent of what is done in the 10 largest markets, they are picking out the 10 markets where the packers are. They do not go to 10 more markets where there are not any of these large packers and put up the volume to you.

There is another class of inspection outside of the Government inspection. You see, if the packer is a small or medium-sized packer, and he is willing to sell his stuff on the date it is produced, he sells it in the same State that his plant is located in. He can not go outside of the State, because he does not have Government inspection. There is a big volume of that. And, then, there is another third kind; that is the small packer, the retailer, and the slaughtering that is done on the farms and ranches.

Now, to put this up in round numbers—I am not talking fractions, and I do not want to split hairs—but in this first class I speak of the five large packers do not do over 35 per cent of what is done in the whole United States. I am adding cattle and hogs and sheep and calves and every thing all together, making a grand sum to get at it in round figures.

The class that does not have the Government inspection does just about as much. They would be about 35 per cent of the volume. These are the people I refer to outside of the five largest packers. Most of them do not have Government inspection; some of them do.

Now, we left about 30 per cent of the total consumption of the United States that is done by the small retailer and on the farms and ranches. So, you see, when you come right down to it, to use figures showing the five large packers doing 82 per cent of what is done in 10 large markets is not conclusive. You must have to go with that the receipts and the figures that are shown in a market where the packers do not have any packing houses, and you must also add up what is killed in the packing houses like those in Baltimore and Washington and Philadelphia and everywhere else—local packing houses. So, when you get right down to it, you have three classes, and there is not very much difference in the size of them; they are all similar.

If I said that the five large packers did 35 per cent, and the medium and small packers did 35 per cent, and the retailers and the farmers and the ranch people did 35 per cent, I would have 105 per cent, and, of course, that is too much. I have got to take off a little from some of them, but they are approximately about a third each. I would not say that one is not 36 per cent and that one might not be 33 per cent, but that percentage as not far off.

The question has come up about some officers of Swift & Co. being connected with a company that made bumping posts and sold them to the railroads, and I want to explain that by saying that the name of this bumping post is the Ellis bumping post. Mr. Ellis was our master mechanic some 25 or 30 years ago, and he discovered this patent for a bumping post, and my father organized a company, and Mr. Ellis's estate at the present time owns 250 shares in this company, and they not only manufacture bumping posts, but they manufacture tanks for tank cars, and tanks for cooking fats in packing houses and trucks, and they sell them to all the packing houses that want to buy of them. Anybody can buy them; the smallest packers in the United States have got them there, and it is a sort of a general proposition, and any statement that it was monopolized in any way to sell bumping posts to control the routing of freight or anything else is wrong. They may show up one or two cases where it may have been mentioned in the way of correspondence, but as a general proposition it has no connection whatever with Swift & Co.'s busi-

ness or Swift & Co.'s routing. I want to say that there are no officers of Swift & Co. that are interested in outside concerns that profit to the expense of Swift & Co.

A big story has been made by the Hurni Packing Co., of Sioux City, and I want to explain it this way. Mr. Hurni was a pretty old man, in feeble health, and had made up his mind to sell his packing house. The packing house, unfortunately, happened to be located in a portion of the stockyards at Sioux City that interfered with their growth as a stockyard. Naturally when Mr. Hurni wanted to sell, as they were interested, they bought his packing house, and they paid \$162,000 for it. He was apparently very much pleased that he was able to sell. He said he had been offered a few thousand dollars more for it, but there would be deferred payments and one thing and another, and he would rather sell to the stockyards company and be through with it, sell it to them for cash. The trade was consummated, and he got his cash and he was very happy about it. The story has been sent out that Swift & Co. dogged this man to death, that they furnished such competition that he could not exist. Swift & Co. had no plant in Sioux City. They had no competition that they could give Mr. Hurni; they were not doing business there, and they did not compete with him. They did not try to put him out of business; they did not try to see that he lost money. In fact, he made money; he was comparatively a rich man for what he expected to be, and so I explain the charges that are made against us, and give you the facts.

Now, I want to tell you the whole story about it. The Sioux City Stock Yards Co., of which I am looking after the management, etc., intends to tear down this packing house and build additional pens. In fact, they surround it on three sides of the stockyards, and it is right near the exchange building, and there is no other packing house there, and it has to be torn down. In the meantime it was not ready to be torn down, and they said to Swift & Co., "Will you rent it?" and I considered the question. It is a very small affair, anyhow; the volume of business amounts to nothing.

It may have 100 cattle a week and 100 hogs a day, and as we had no packing house in Sioux City, and were not ready there in any way, I concluded that we would be tenants. So Swift & Co. have signed a lease for this packing house, and they pay them so much rent per year, but we are tenants at will. We have to vacate on 60 days' notice, and unless we had known we could vacate and could give it up in two or three years, we never would have gone there, because it is too small and it is impracticable, but we did this in order to help the Sioux City market and to help the Stock Yards Co. out of their investment.

There is another story about Sioux City, that a packer by the name of Statter could not get a sidetrack, or could not get an alley, or something. I do not know what the story is based on. I see that Statter turned his plant over to another company called the Midland Packing Co., and they are building a new packing house, and they are getting all the facilities they asked for, as much as any other packer got and they are perfectly satisfied.

One of the charges in the Federal Trade Commission report is, that the packers have been selling compound lard at a fixed price for

all of these five packers. It devotes several pages to that. That only refers to what happened during the war period, and instead of accusing us of violating the law or something, they could have found out very well from the Food Administration that this was part of the Food Administration's instructions.

The large packers all had to sell their compound lard at a regular price, and the small packers did, too. And, explaining why the packers are in the compound lard business, I will say that years ago when compound lard, which is a substitute for pure lard, was first made, it used to be composed of about 25 per cent of beef suet. At that time no one knew how to make this compound lard without beef suet. So, having about 25 per cent of beef suet, and beef suet that had to go into compound lard, the only thing for us to do was to go and buy the 75 per cent of cotton oil and make compound lard. Since then the industry has been changed somewhat, and you do not have to put in so much beef suet, and some people make it without any beef suet, but the packers, having had their compound-lard plants, still make the compound lard, and it seems to me that there is no one better prepared to make it and distribute it than they are, and they are not monopolizing anything. That is a competitor to lard. Of course, the packers try to sell lard. If people do not want to buy the lard, they can sell the lard compound. It seems to me that is competition between the lard compound and the lard. The packers do not control the making of the compound. There are other people in the business just as large as the packers are, and they are a very large item, people like Procter & Gamble, and the American Cotton Oil Co.; they all make compound lard.

There is one other thing. It has been stated in this agitation and investigation, that the five large packers own hotel stock—own stock and bonds in a Washington hotel. Now, that is not a fair inference. Among the list of things owned or controlled by the five large packers is stock in a Washington hotel. The inference is that all five large packers own some stock in the Washington hotel. The truth is that Mr. Armour chooses to make a private investment. I understand he is a shareholder in the Washington hotel. Why involve the other four packers and insinuate that they have hotel stock? Swift & Co. have no stock in any Washington hotels, and we have no stock in any New York hotels.

Mr. HAMILTON. Which Washington hotel?

Mr. SWIFT. It has been publicly stated that he was a stockholder. I did not know it before; but I, perhaps, assume he is.

Mr. MONTAGUE. Is the company the stockholder, or Mr. Armour himself?

Mr. SWIFT. I could not say. All I can say is that I do not think that any other packer has any stock in a hotel in Washington or in New York either, and it is not fair to convey the inference that all five of them are going into the hotel business. That is along the same line that I spoke of: If one man falls into a mud puddle, they want to say all five are in the same mud puddle. I do not think that is quite fair or reasonable. We have been asked to be stockholders in hotels in Washington, in Baltimore, and in a great many other cities, and we have refused.

We have had committees come to us. I could not tell you how many or how often, about wanting us to help them with local stock-

yards. They have come from Roanoke, Va., from Montgomery, Ala., and I do not know from where else. They say: "Now, you are the only folks that can help us, and you can go down there and make an outlet for our live stock," and we have refused. Of course, there are some places that are too small to ever make a success of stockyards or packing houses, and there are certain places that are not too small. If you do not help them to make an outlet for their live stock, they do not like it and if you do help them there is somebody else that does not like it, and so I do not know what to do. [Laughter.]

The State live-stock commissioner, out in California, is mad at me, because I will not help them out with a stockyard, and, if I do it, somebody else will be mad at me for doing it, so I did not know what I will do. The best thing, I think, will be to sit still and do nothing.

The CHAIRMAN. Let well enough alone?

Mr. SWIFT. I think I am through.

Mr. ESCH. You spoke about refrigerator cars. I think the committee would like to hear your views on refrigerator cars.

Mr. SWIFT. Swift & Co. own about 7,000 refrigerator cars. We should own more; we are about 20 per cent short, to accommodate our business. Financially, I wish we had never seen them; they have not been a profitable investment. There is a loss in the operation of them, but they are a facility that you have to have to a certain extent in connection with your business. Now, there is a class of small packing houses—I think I could name you 15 or 20 people of the small packers—they have their own refrigerator cars to a large extent, and there is no reason why packers of any size should not have refrigerator cars if they want them. They might just as well buy a refrigerator car as to buy a packing house; and, if they have one packing house, they might just as well buy 1 car to go with it or 10 cars, or 100 cars.

The small packer's meat is put on the same train, put upon a regular beef train; they all make the same time in transit, and they are at no disadvantage whatever, and there is no reason why they should not build as many cars as they need. In addition to this, a railroad has a good many refrigerator cars. Some of them are meat cars and some of them are provision cars, and any small packer can have pretty fair success in getting his cars from the railroad company, but there is no use denying that there is a shortage of refrigerator cars; large and small packers have trouble getting what they need.

Mr. BARKLEY. Would you have gone into the business of building refrigerator cars if the railroads had had enough to supply you?

Mr. SWIFT. The packers originated the refrigerator car and were compelled to build them because the railroads refused to furnish them. We can get some refrigerator cars from the railroad, but we do not like the car. It is usually dirty, and they would not wash it, they would not clean it, they would not scrub it out; we got tired of it. Every time we would scrub one out and get it clean, and get it back from the road, somebody else would get the clean car and we would get another dirty one to scrub out, and we never got anywhere either way, and for that reason, I say, for sanitary reasons and a good many other reasons, we had to operate our own cars.

Mr. BARKLEY. If you could get the same service in refrigerator cars from somebody else as by having your own cars, would you rather have someone else own them, or would you rather own them yourself?

Mr. SWIFT. You can not get the same service. What is everybody's business is nobody's business.

Mr. BARKLEY. Suppose that they should furnish you as many cars as you wanted, and as clean cars as you wanted?

Mr. SWIFT. That would be all right, but I have a better solution than that, in my opinion. If they would let the present conditions exist, let Swift & Co. own their 7,000 cars and let the Government or the railroads go and build 5,000 cars, or whatever number is needed, to supply the demand, to make it 100 per cent supply for 100 per cent demand, and let those small packers use those cars and let the small packers and large packers use them jointly. That is the thing to do. If you have got 80 per cent of the refrigerator cars you need in the United States, and are urged to shuffle them all up and mix them all up and upset everything, it is better to build what is required and put them in the service, and then you are not upsetting anything.

Mr. COADY. Does your ownership of the cars enable you to give better service than the small packers, or are your cars prorated?

Mr. SWIFT. If we were short of cars we would ask the railroad to give us some and the small packer would ask the railroad. I think they are trying to take care of the small packer first. I know if I was in the railroad's position, and I had a small packer, and he said, "I want 1 car," and a large packer told me "I want 10 cars," I would give the man the 1 car first, and I think he is entitled to that.

The CHAIRMAN. Let us proceed in the regular order. Mr. Esch, do you wish to ask any questions?

Mr. ESCH. I do not care to ask any.

The CHAIRMAN. Mr. Sanders, do you wish to ask any questions?

Mr. SANDERS. There has been a great deal of discussion going on in the committee and in the public press of antagonism between the packer and producer of meats on the farm. Your capital is invested in appliances to convert the farmers' beef and hog into food-stuffs for the consumer, is it not?

Mr. SWIFT. Yes, sir; and merchandise.

Mr. SANDERS. I am looking at it purely from the packers' standpoint. If there were no cattle or hogs produced in America would that seriously impair your packing plants?

Mr. SWIFT. We would be bankrupt.

Mr. SANDERS. While it is human nature for you to desire to buy your hogs and cattle as cheap as possible, is there not a limit to that in your own calculations?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. In other words, can you afford—and I am looking at it now from a broad aspect—can you afford to pay a price to the producer that in the long run will drive him out of business?

Mr. SWIFT. That would not be practical; it would not be advisable.

Mr. SANDERS. Would it be to your interest from a selfish standpoint?

Mr. SWIFT. It would not.

Mr. SANDERS. Mr. Stephens asked Mr. Armour a question the other day about whether it was practicable to guarantee to the producer of beef and hogs a fair profit on what he makes, and the thought came to me in that connection is it any more practicable to guarantee to the producer of hogs and cattle a fair margin of profit than it is to guarantee to the cotton planter or the sugar planter or the wheat grower or the corn producer? Does not every man who undertakes to raise anything on his farm have more or less to take a chance on the price he gets for it?

Mr. SWIFT. I should think it was about the same thing.

Mr. SANDERS. Your contention is, as I understand it, that what you pay for your cattle and hogs is governed absolutely by the law of supply and demand?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. And likewise you make the same contention as to what you sell?

Mr. SWIFT. Yes.

Mr. SAUNDERS. Is it possible—and I ask this for my own information, to get your viewpoint of it—irrespective of whether or not there is a combination existing between the packers to fix the price of stock on the hoof, is it practicable for you to do that; have you got power if you wanted to?

Mr. SWIFT. Do I understand your question to be, Have the five large packers power to regulate the price that they pay for the product?

Mr. SANDERS. Yes, sir.

Mr. SWIFT. They have not.

Mr. SANDERS. If, taking your figures as a basis, you buy, say 33½ per cent of what is offered in the stockyards—that is, 33½ of the whole United States—that is a great deal more than 33½ of what is offered in the stockyards?

Mr. SWIFT. It comes to more in numbers.

Mr. SANDERS. Because the local cattle, 33 per cent, have to be deducted from that. You have stated that about 40 per cent is killed locally by butchers and on the farms and ranches, 40 per cent of the entire production.

Mr. SWIFT. Yes, sir.

Mr. SANDERS. And that the remainder is taken by the five large packers and the small packers?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. Therefore you take from that figure about 45 per cent of the cattle, the five large packers, the total of what is offered at the stock yards, do you not?

Mr. SWIFT. I think it will figure out that way.

Mr. SANDERS. If you five large packers are the buyers of 45 per cent of what is offered in the stockyards, does not the very force and power of that amount of buying enable you to indicate the price?

Mr. SWIFT. It has its influence, but if we should try to unduly depress the price other people, the medium and small packers, would immediately increase their business and ours would be decreased.

Mr. SANDERS. Now, the other packers can not increase their business unless they first increase their facilities to do business. Is not that a fact, a plant, for instance, like that one you were talking about

in Sioux City, where he has a plant sufficient to take care of 100 cattle and 100 head of hogs. That is his buy, is it not?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. And before he could buy much more than that, does he not of necessity have to increase his plant?

Mr. SWIFT. There are a great many medium and small-sized packers throughout the United States. In fact, all that are in the United States are not running at 100 per cent capacity. Some of them are running at 50 or 60 per cent capacity. In fact in normal times there is hardly any packing house that runs over 50 or 60 per cent capacity, because you can not kill every day in the week. You have to skip a day here and there. When there is an incentive for these other people to increase their volume, then they could very easily increase it very materially.

Mr. SANDERS. Do you think if you controlled the buying—and when I say “you” I am talking about the five big packers—do you control the buying of 40 per cent—

Mr. SWIFT. I would like you not to put it that way. I do not like to answer for the five as a class.

Mr. SANDERS. Your own figures have stated that the five big packers did buy about 40 per cent of what was offered on the stockyards, so I am using your figures. If that should be an organized buy, is it not more liable to indicate fixed prices than a 55 per cent unorganized buy?

Mr. SWIFT. You leave out the point of competition.

Mr. SANDERS. I am assuming, for the sake of the question I am asking—I am not stating it as a fact, but I am assuming it for the sake of the question I am asking—that there is no competition between the buy between you five gentlemen.

Mr. SWIFT. I can not take that assumption, because if Swift & Co. did not buy an animal for a whole week it would make no difference; other people would buy them and be glad of it.

Mr. SANDERS. Your contention is that there is a bigger capacity for the slaughter and packing of the daily offering than there is a daily offer?

Mr. SWIFT. There is enough slack—I call it slack—in the capacity, to make up for any one interest that chooses to try to buy the product below the market, or to drop out of the market. I will repeat, if Swift & Co. should not buy an animal for a week, it would not make any difference, and the supply in the markets would be readily sold at the market price.

Mr. SANDERS. Let us carry Swift & Co. not buying for a week one step further, and let us say that the five big packers would not buy for a week; would that affect the price?

Mr. SWIFT. That can only be done by a combination, which would be illegal.

Mr. SANDERS. I understand that, but lots of things are done against the law. There is a law against murder, but now and then somebody is killed.

Mr. SWIFT. But not by me. [Laughter.]

Mr. SANDERS. Let us assume that you do not buy for a week, would not that affect the price of beef? Let us assume that the five do not buy for a week, would that affect the price?

Mr. SWIFT. Let us assume a man cuts off both his hands. What does he want to do that for?

Mr. SANDERS. Not at all.

Mr. SWIFT. You have to keep your capacity; you have to keep going, or you are down and out.

Mr. SANDERS. But you have already assumed that you would not buy any cattle for a week.

Mr. SWIFT. I said if we did not.

Mr. SANDERS. All right. I have a fair right to go one step further in an honest endeavor to get the facts, and ask you, let us say, if the other four big packers would do what you would do, would that affect the market?

Mr. SWIFT. Yes; you have got the fact that these big packers are increasing their business all the time. There has been no let-up, no slackening on their part.

Mr. SANDERS. I understand that, but you have just stated that if Swift & Co. did not buy any cattle or hogs for a week, that that would not affect the price of cattle at all. I agreed with you. And then I say if the other four big packers would do the same thing that you do, would not buy for a week, would that affect the the price of cattle?

Mr. SWIFT. Well, I can not imagine such a thing.

Mr. SANDERS. Neither can I, but I can not imagine you not buying for a week, and yet you said you might not.

Mr. SWIFT. That would be legally inspected; they would be arrested before the next morning. That shows a combination.

Mr. SANDERS. There is no law in this land that will force you to buy cattle for a week.

Mr. SWIFT. There is a law against us combining with others to stay out of the market.

Mr. SANDERS. Certainly. I again ask you if the five big packers do the same thing by coincidence or by accident, not by design, and none of you would buy anything for a week, would that affect the price of cattle or hogs?

Mr. SWIFT. Naturally, it would.

Mr. SANDERS. Why, of course it would, and that is all I wanted you to say. I do not want to say you are going to do it, but it would affect the price.

Mr. SWIFT. Naturally.

Mr. SANDERS. Now, if the fact of your not going into the market for a week would affect the price of cattle, is it not a fair inference that when you go in with this affirmative buying power of 45 per cent of the offering of the stockyards, that that in itself affects prices advantageously, let us put it, to you or to the producer?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. If you can affect the price to the producer advantageously by using your power to buy, if you felt so disposed—and I do not say that you do, and I do not say that the five do—can you not affect the price to the producer disadvantageously?

Mr. SWIFT. By not buying, you mean?

Mr. SANDERS. Either by not buying or by paying a price lower than what ought to be paid?

Mr. SWIFT. Well, in the first place, going into the market to buy, that is my bread and butter; we make our dividends by the volume

of the business. Now, by not buying I can not make any money. I can not make any money on the business that I do not do. I have got to do the business, and I have got to pay money enough to get the raw material, the live stock. That is necessary.

Mr. SANDERS. And it also follows that as a good business man you want to buy as cheaply as possible, does it not?

Mr. SWIFT. Naturally.

Mr. SANDERS. You do not want to pay a cent or a fraction of a cent more a steer than you have to pay, and you engage your buyers and put them in the pens to buy the cattle in the various market-upon their ability to get the best margin possible. Is not that true?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. You would not have any use for a buyer who would pay more for that same class of cattle than any of your competitors would pay, would you?

Mr. SWIFT. I presume we have to use such buyers, but not intentionally. Plenty of them do that, but you can not help it.

Mr. SANDERS. As a matter of fact, you are always striving to get a buyer who can buy as cheaply as possible?

Mr. SWIFT. Yes.

Mr. SANDERS. And all the other four concerns are engaged in the same pursuit?

Mr. SWIFT. Sometimes it looks as if they paid the most that was possible.

Mr. SANDERS. In the ideal situation, there ought not to be any antagonism between you, the packer, and Smith, the grower of cattle, ought there?

Mr. SWIFT. I should think that their interests were mutual.

Mr. SANDERS. Your interests and his interests, if they are not, ought to be mutual interests?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. Because, whilst he might exist without you, you can not exist without him?

Mr. SWIFT. We must work together to work to our best advantage.

Mr. SANDERS. Why is it, and I am asking for my information: I am trying to seek the facts in the case; why is it that there seems to be a feeling amongst the producers that the packers are their hereditary enemies?

Mr. SWIFT. The principal thing is the unfortunate circumstance that arose about the marketing of cattle during the foot-and-mouth disease. Were you present when I explained that?

Mr. SANDERS. Yes, sir.

Mr. SWIFT. In 1914, I think it was. Live stock had been reasonably high up to that time, just moderate, and everything was lovely. They were satisfied, and all of a sudden these channels of trade were closed; we could buy more cattle than we could use in Chicago, but they were not the right kind of cattle, they were too heavy and too fat, and everything was turned upside down on account of the foot-and-mouth disease, and the price went down, and the producer became dissatisfied, and I can not blame them; it was unfortunate. They lost money, and I told them at the time that I regretted it, and that was the beginning, in my opinion, of the whole dissatisfaction, and, in my opinion, at the present time the conditions that existed

in the last few years were satisfactory to the producer. They have no fault to find.

Mr. SANDERS. To get back to this bill for just one minute, can you conceive any way that the Government ownership of stockyards, for instance, will benefit the producer?

Mr. SWIFT. I do not think it makes much difference to the producer who owns the stockyards if they are properly conducted. As to who the stockholder is of the stockyards, I think that is immaterial. It is a question of efficiency.

Mr. SANDERS. It is a question of quick service and efficient service, is it not?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. In that same connection, would it benefit the producer or the consumer for you to be forced to surrender ownership of your refrigerating cars to the railroad companies; will the consumer get better and cheaper service?

Mr. SWIFT. No, sir; there is no improvement there.

Mr. SANDERS. Are you the only private concerns in America that have your privately owned cars?

Mr. SWIFT. Packers?

Mr. SANDERS. Yes.

Mr. SWIFT. No, sir.

Mr. SANDERS. Take now, for instance, out of New Orleans we have a tremendous fruit trade. A fruit company owns all of its refrigerator cars, and ships out of New Orleans nearly solid trains of bananas, for instance.

Mr. SWIFT. I did not know who owns those cars.

Mr. SANDERS. The United Fruit Co. owns these.

Mr. SWIFT. But the brewers have their own cars, and the oil people have their own cars, and different people have.

Mr. SANDERS. A market may be maintained with all of the forms of competition, as all of the forms of republic Rome were maintained under the Cæsars, and yet there be no competition. For instance, take the sugar exchange in New Orleans. All of the forms of competition rule down there for the purchase of Louisiana sugar, but there is but one purchaser, the American Sugar Refining Co. So you would not call any competition existing in that market, although all the forms were there?

Mr. SWIFT. I am not familiar with the New Orleans market.

Mr. SANDERS. But I imagine that if all of the forms of competition, the routine, the formula, the appearance of competition was maintained in the market, and there is but one buyer for the product there, you would not think there was any competition, would you?

Mr. SWIFT. You are citing a case where there is only one buyer?

Mr. SANDERS. Yes.

Mr. SWIFT. I do not know any case of that kind in the packing business. As far as I know, there is a large number of buyers at every market.

Mr. SANDERS. Let us assume, then, that in the stockyards and packing business there would be or could be but one buyer; then there would be no competition?

Mr. SWIFT. Nor would there be any receipts, either. Nobody will ship to a market where there is only one buyer.

Mr. SANDERS. I disagree with you there entirely, because we ship to New Orleans and have to do it, and know there is but one buyer.

Mr. SWIFT. That is for sugar?

Mr. SANDERS. Yes.

Mr. SWIFT. I am speaking of live stock.

Mr. SANDERS. If that happens in one industry, why should it not happen in another?

Mr. SWIFT. I am not familiar with sugar in any way.

Mr. SANDERS. My proposition is this: You can not force anyone to raise hogs and stock, can you?

Mr. SWIFT. No, sir.

Mr. SANDERS. But after he has got hogs and cattle he may be forced to sell them, and if he can not get a satisfactory price for them he will go out of business. Is not that true? Or else he may stay in it because he may hope for better results.

Mr. SWIFT. I suppose so, but he has more or less choice about when to sell. He can pick out the market that he likes the best, and he can pick out the time within a month of when he likes to send them to the market.

Mr. SANDERS. But once he has shipped stock to the stockyards his option ceases; he has got to sell it?

Mr. SWIFT. He knows before he loads the stock. He gets a telegram or picks up the paper and he knows, practically speaking, what he is going to get for his stock. He gets on the market within 48 hours, and he is just as apt to get more money for his stock than he was figuring as he is to get less; so he practically knows what he is going to get, in a way.

Mr. SANDERS. Is not he forced to sell his stock and his hogs when they shall have taken on the flesh he can give them?

Mr. SWIFT. He has a choice of two or three weeks.

Mr. SANDERS. And when he gets them in to the stockyards—economically, I am speaking of, not legally—he is forced to sell them?

Mr. SWIFT. Yes, sir.

Mr. SANDERS. In other words he can not shift from market to market and travel all over the United States with his cattle?

Mr. SWIFT. Certainly. He can do it to a certain extent. If he is in Sioux City, and does not like the price, he can go to Omaha, but there would be an end to that, of course, after awhile.

Mr. SANDERS. When he gets to Sioux City and does not like that market, he goes to Kansas City, if he wanted to take that long a trip, and when he gets to Kansas City and does not like that, he goes to Chicago, does he not meet practically the same buyer, so far as the five big packers are concerned, at all places?

Mr. SWIFT. The conditions are different every different day.

Mr. SANDERS. But he meets the five big packers in all of those markets, does he not?

Mr. SWIFT. He meets those 5, and 15 or 50 more. There are lots of other buyers besides the 5.

Mr. SANDERS. But he meets those five, and those five bid on about 45 per cent of the offering on the market?

Mr. SWIFT. Something like that.

Mr. SANDERS. I think that is all.

The CHAIRMAN. Mr. Stiness, do you wish to ask any questions?

Mr. STINESS. I do not care to ask any.

The CHAIRMAN. Mr. Sweet?

Mr. SWEET. Swift & Co. is a corporation?

Mr. SWIFT. Yes, sir.

Mr. SWEET. When were you incorporated, or about when?

Mr. SWIFT. 1884.

Mr. SWEET. What is your authorized capital stock?

Mr. SWIFT. \$150,000,000.

Mr. SWEET. And how much of that is preferred stock?

Mr. SWIFT. That is all the same kind.

Mr. SWEET. All of common stock, then?

Mr. SWIFT. It is all the same kind; I do not know whether it is common.

Mr. SWEET. How many stockholders have you?

Mr. SWIFT. Twenty-five thousand.

Mr. SWEET. And how many shares of stock do the Swift Bro.'s own in this corporation?

Mr. SWIFT. Do you mean the Swift family? The sisters and mothers and all?

Mr. SWEET. Yes; the Swift family, I will put it.

Mr. SWIFT. I could not tell you that.

Mr. SWEET. What portion of the stock does the Swift family own?

Mr. SWIFT. I could not tell that and be correct; I could only guess at it.

Mr. SWEET. Do the members of the Swift family own a controlling interest in the corporation?

Mr. SWIFT. A majority?

Mr. SWEET. A majority of the stock.

Mr. SWIFT. They do not.

Mr. SWEET. What is your net capital investment at the present time?

Mr. SWIFT. The net capital investment [referring to pamphlet]?

Mr. SWEET. I see you have a statement there. Does it show the net capital investment of the company?

Mr. SWIFT. Yes.

Mr. SWEET. You may put that in as a part of the hearing.

Mr. SWIFT. This is the form of Swift & Co.'s financial statement, and I would like to hand each member of the committee one of them.

The CHAIRMAN. You can put it all in your hearing.

Mr. SWIFT. I will have them handed around.

(The statement is as follows:)

EXCERPTS FROM ADDRESS OF MR. LOUIS F. SWIFT, PRESIDENT OF SWIFT & CO., AT FIFTY-FOURTH ANNUAL MEETING OF SHAREHOLDERS, CHICAGO, JANUARY 9, 1919.

The past year has been one of unparalleled prosperity for the live-stock producer. Not only have the live-stock receipts at the great central markets increased fully 20 per cent without depleting the total supply of live animals, but they have been sold at prices unequalled in the history of the business, prices averaging 25 per cent more than the already high prices of 1917, as illustrated below.

Average price per hundredweight paid by Swift & Co.

	12 months ended Sept. 29, 1917.	12 months ended Nov. 2, 1918.	Per cent increase in cost.
Cattle.....	8.66	10.81	23
Hogs.....	12.89	17.12	33
Sheep and lambs.....	12.79	15.55	22

The effect of these high prices is shown by our payments of \$682,000,000 to live-stock raisers during 1918, an increase over 1917 of \$227,000,000.

Swift & Co. have no agreement or understanding with competitors and are in keen and open competition with every other packer—both in buying and selling.

All live-stock markets are open to the public for buying and selling on equal terms.

The margin of profit in the meat departments was 2.04 per cent on the turnover, being approximately one-half cent per pound, before paying taxes or interest on borrowed money (this is the United States Food Administration basis of computation).

We consider it a tribute to the efficiency of Swift & Co. that this meat business could be operated and maintained on so slight a margin of profit.

In no other large industry is business done on a smaller margin of profit.

Distributive sales, domestic and foreign, were over \$1,200,000,000.

Cash dividends of \$9,000,000 were paid during the year. The balance of net earnings, \$12,157,277, remains invested in the business for the improvement of facilities and to assist in financing inventories at higher price. The assets of Swift & Co. do not include any sum for good will.

L. F. SWIFT, *President.*

CHICAGO, ILL., *January 9, 1919.*

Swift & Co. balance sheet, Nov. 2, 1918.

ASSETS.

Cash.....	\$12,075,503.12
Accounts receivable.....	105,691,462.88
Inventory.....	179,060,614.14
Stocks and bonds.....	39,298,452.66
Real estate and improvements.....	79,247,567.03
	415,375,689.81
Capital stock in treasury (352,744 shares out of 1,500,000 issued).....	35,689,392.08
	451,063,081.84

LIABILITIES.

Capital stock.....	150,000,000.00
Surplus.....	84,573,178.99
General reserves.....	6,717,678.90
Reserves for Federal and foreign taxes.....	16,500,000.00
First mortgage 5 per cent bonds—	
Issued.....	\$33,370,000
Less, redeemed.....	2,444,000
	30,926,000.00
Bills payable.....	120,577,795.00
Accounts payable.....	41,250,995.72
Accrued bond interest.....	515,433.33
	451,063,081.84

We have examined the accounts and records of Swift & Co. for the 13-month period ending November 2, 1918, and hereby certify that the above balance sheet and following profit and loss account and surplus account are in accordance therewith and are drawn up to correctly exhibit the position of

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 837

the company as at November 2, 1918, and the result of the operations for the 13-month period.

The profits and other data submitted in the profit and loss account covering the business done, coming within the regulations of the United States Food Administration, have been verified by us.

ARTHUR YOUNG & Co.,
Certified Public Accountants.

CHICAGO, January 4, 1919.

SUMMARY OF PROFITS FOR FISCAL YEAR, NOV. 3, 1917, TO NOV. 2, 1918 (FIRST YEAR UNDER REGULATIONS OF UNITED STATES FOOD ADMINISTRATION), 12 MONTHS.

Business under regulations of United States Food Administration being the manufacture and sale of products from the slaughter of cattle, calves, sheep, and hogs (the earnings from this business were limited by the regulation to 9 per cent on the capital employed and not to exceed 2½ per cent of the sales) :

Earnings	\$18, 786, 696. 26
Capital employed	\$248, 214, 189. 26
Per cent of earnings to capital employed	7. 57
Sales	\$922, 726, 756
Per cent of earnings to sales	2. 04

Note.—There should be deducted from the above earnings a portion of interest on borrowed money and other charges, and reserve for Federal taxes, approximating \$9,000,000, leaving net earnings from this business \$9,800,000.

Other business:

Earnings from departments and investments	\$28, 723, 098. 16
Earnings from foreign investments	4, 221, 478. 04

	46, 731, 268. 36
Less interest on borrowed money and other charges	13, 745, 826. 20

	32, 985, 442. 16
Less reserve for Federal and foreign taxes	11, 828, 164. 72

Net earnings for year (11 2/10 per cent on average capital and surplus)	21, 157, 277. 44
---	------------------

Dividends paid	9, 000, 000. 00
Transferred to surplus	12, 157, 277. 44

Statement of surplus account, period September 29, 1917, to November 2, 1918, 13 months:

Surplus account, Sept. 29, 1917	\$59, 965, 000. 00
---------------------------------	--------------------

Earnings for month of Oct., 1917 and adjustment of inventory values in accordance with United States Food Administration regulations, effective Nov. 4, 1917	6, 706, 854. 67
--	-----------------

Adjustment of valuations of investments, and of land, buildings, and equipment by appraisal	\$30, 746, 046. 88
---	--------------------

Less dividend in capital stock paid therefrom, July 15, 1918	25, 000, 000. 00
	5, 746, 046. 88

	72, 417, 901. 55
--	------------------

Net earnings for fiscal year ended Nov. 2, 1918, after providing for taxes	21, 157, 277. 44
--	------------------

Less dividends paid in cash	9, 000, 000. 00
	12, 157, 277. 44

Surplus account—Nov. 2, 1918	84, 575, 178. 99
------------------------------	------------------

Directors.—L. F. Swift, Chicago; Lewis L. Clark, New York, president American Exchange National Bank; Edward F. Swift, Chicago; M. B. Brainard, Hartford, vice president and treasurer Aetna Life Insurance Co.; L. A. Carton, Chicago; Charles H. Swift, Chicago; G. F. Swift, jr., Chicago.

Officers.—L. F. Swift, president; Edward F. Swift, vice president; Charles E. Swift, vice president; G. F. Swift, jr., vice president; L. A. Carton, treasurer; F. S. Hayward, secretary; C. A. Peacock, assistant secretary; W. W. Sherman, assistant treasurer.

Mr. SWEET. Can you give the net income during the year 1918 on your net capital investment?

Mr. SWIFT. I can give the net earnings of Swift & Co.

Mr. SWEET. Well, give the net earnings, then.

Mr. SWIFT. I am reading from this page in the pamphlet that is headed "Summary of the Profits for the Fiscal Year November 3, 1918," and if you gentlemen will follow me I will appreciate it. This refers to our fiscal year, being the 12 months ending November 3, 1918. That is the 12 months that we were under the control of the Food Administration, and that shows the net earnings for the year's business, in round numbers, to be \$21,000,000.

Mr. SWEET. Is that higher or lower than it was in 1917?

Mr. SWIFT. I have that here. It is a good deal lower.

Mr. SWEET. What was the per cent in 1917?

Mr. SWIFT. The per cent of profit on capital and surplus for the year 1917 was 22 per cent.

Mr. SWEET. Was it higher than that in 1916.

Mr. SWIFT. No, sir.

Mr. SWEET. What was it in 1916?

Mr. SWIFT. I have not those figures. It was less. Can I tell you what it figures out for 1918?

Mr. SWEET. Surely.

Mr. SWIFT. At 11.2 per cent on the capital and surplus, \$1.77 on the turnover.

Mr. SWEET. That is, upon the sales?

Mr. SWIFT. That practically is 1½ per cent; that is, \$1.75 on every \$100.

Mr. SWEET. What was it in 1917?

Mr. SWIFT. It was 22 per cent on the capital and surplus, or \$3.96 on the turnover. Our profits for 1918 are less than they were for 1917. Mr. Heney says they are larger.

Mr. SWEET. What was it in 1916?

Mr. SWIFT. I have not got those figures.

Mr. SWEET. Was it more or less than in 1917?

Mr. SWIFT. Oh, less; much less.

Mr. SWEET. What was the occasion for your large percentage in 1917?

Mr. SWIFT. You could not help that with such a tremendous advancing market. Prices of material advanced tremendously, and in the packing business with big supplies of the product that amounted to a good deal. I have explained that Swift & Co. to-day have got 250,000,000 pounds of pork in their cellars. There is hardly room to put in a ham sandwich, unless we ship out some, the warehouses are full. If the market should decline a cent a pound, the loss is \$2,500,000. If it should be 5 cents a pound which it is sure to be, but I do not know when, that means \$12,500,000 we would lose on a decline in the market.

Now, the prices are abnormally high and they will probably stay high for a few months, but they have got to come down some time, and I have shown you how fast the inventory would lose money when

the market goes down. I have not referred to the millions of dollars invested in leather and all such products that we have, but I have tried to explain the losses that will occur when the market goes down. You make money just as fast when the market goes up on your inventory, and that is the explanation for the unusual showing in 1917. But that will have to be adjusted sooner or later; we will come into a decline in our inventories that will make quite a different story.

Mr. SWEET. Do the other packers have a large supply of meat on hand at the present time?

Mr. SWIFT. Of pork products?

Mr. SWEET. Pork products.

Mr. SWIFT. Yes, sir; it is a maximum.

Mr. SWEET. And how about the beef products?

Mr. SWIFT. Beef is a thing we do not store to cure. You know, from the pork we have to cure the hams and the breakfast bacon, and that will take from a month and two months and three months for some of them, and that is what makes such a big stock. The beef goes out more readily; it goes out within a few days; it is fresh. We do not cure that, so those investments are not so heavy, but the investments are very heavy in the hides. We have to cure them; the leather we have to tan. Sometimes it takes three or four months to tan the hides. Then, there is the wool factory. Sometimes we have to keep the wool on hand for three or four months. There is the glue factory. Sometimes we have to keep that glue on hand for six months, and when we sell it we have to give the man six months' credit. It is those kind of things that add up in volume and not the beef itself, except the beef going into the freezer to be carried for the Government or for other purposes, and that comes to some item, but it is not much now.

Mr. SWEET. This pork that you have on hand has been purchased at 17½ cents a pound, has it not, most of it?

Mr. SWIFT. Practically speaking, yes, sir. Some of it cost more and none less. It might have averaged 18 cents a pound.

Mr. SWEET. Would the price of pork be as high at the present time at 17½ cents a pound in case the Food Administration had not entered into an arrangement to that effect with you?

Mr. SWIFT. Well, I will tell you about that. The Food Administration are trying to stabilize prices. We have been at it now one year and two months; that is, 14 months, and I am pretty well posted and pretty familiar with what has happened. While there has not been a fixed price for that whole time, I think the fixed price has only been for the last four or five months, but they are trying to stabilize this product; they are trying to prevent serious slumps. There are times in this business when we get serious slumps. The live stock will decline very fast, very quickly. That is what the producers object to. Now, that in itself is the very thing that will cause it to jump up again just as quickly. Slumps on a decline are very apt to cause big advances later, and they are trying to stabilize these products. They are trying to prevent any sensational declines and to strike an average, believing it is the best thing for all interests concerned.

Mr. SWEET. You believe it was a good thing for the period of the war, and at the present time the price should stay at 17½ cents a pound?

Mr. SWIFT. I believe the Food Administration did accomplish a wonderful work for both sides, the producer and the consumer.

Mr. SWEET. Do you believe that the price should be continued now for a number of months, or for a year, say?

Mr. SWIFT. Now is the time that they need it as much as ever.

Mr. SWEET. That is to say, we are still feeding the boys across the sea?

Mr. SWIFT. Yes, sir. Now is the critical time. Everybody is loaded up and we have not had very many shipments, and we have had the same thing happen before, but they came along with shipments, and we got through it. It generally evens itself up. With the organization of the Food Administration working together we generally got through all right.

Mr. SWEET. Your opinion in this connection, then, also, is that it has been beneficial to the consumer that the price be fixed, or that the price was in fact fixed by the Food Administration?

Mr. SWIFT. Absolutely. It was an advantage to the consumer and the producer, and it was the only possible way to have made shipments abroad.

Mr. SWEET. What percentage of your business at the present time is carried on in connection with unrelated articles or products to the packing industry?

Mr. SWIFT. Well, I do not know what you would call unrelated.

Mr. SWEET. I will let you determine that.

Mr. SWIFT. I think that all of the business that Swift & Co. does is rightfully connected with the packing business.

Mr. SWEET. You deal in canned fish?

Mr. SWIFT. No, sir; Libby, McNeill & Libby do, and they used to belong to Swift & Co., but they have been separated. Were you present when I read the data?

Mr. SWEET. I was. You have no connection with them now?

Mr. SWIFT. You see, Libby, McNeill & Libby was owned by Swift & Co., and we found it advisable to make a separation of the two companies. We took this manner of separation or segregation. Shall I explain the system?

Mr. SWEET. Yes.

Mr. SWIFT. For instance, if a man had 10 shares, or a thousand dollars, of Swift & Co.'s stock, that carried with it a certain ownership in the Libby Co. Do you follow me?

Mr. SWEET. Yes.

Mr. SWIFT. So we asked him to turn in 10 per cent of his Swift & Co. stock, which would be \$100, and he was given \$100 of the Libby stock in exchange. So that the people who were stockholders in Swift & Co. are now stockholders in Swift & Co. to the extent of only 90 per cent as much as they had, but they have that 10 per cent made up of Libby stock. So I am a stockholder in Libby.

Mr. SWEET. But you are a minority stockholder?

Mr. SWIFT. Yes, sir.

Mr. SWEET. Yesterday Mr. Armour testified in substance here that in many instances he distributed certain products upon a commission; in other words, that he used their great distributing machine for the distribution of certain products.

Mr. SWIFT. For other people?

Mr. SWEET. Yes; and received a commission therefor instead of purchasing the article outright. Do you do any of that business?

Mr. SWIFT. No, sir.

Mr. SWEET. You invariably, then, purchase everything that you distribute?

Mr. SWIFT. Yes, sir.

Mr. SWEET. Do you purchase any canned sweet corn?

Mr. SWIFT. Yes, sir.

Mr. SWEET. How large a business do you do in that respect?

Mr. SWIFT. It is very small; it does not amount to much. Shall I explain some of the items?

Mr. SWEET. I wish you would explain some of the items that you purchase and distribute.

Mr. SWIFT. I want to explain, in the first place, why Swift & Co., a meat-packing concern, are handling butter and eggs and poultry. This is the reason that these three articles—butter and eggs and poultry—require refrigeration. You can not handle them very well without refrigeration, and as we got along in the beef business, we would ship a man 20 cattle and 10 sheep and some calves and some fresh pork, and he would say, "I want some eggs, I want some poultry," and we would go hunting around down in South Water Street in Chicago to buy him some eggs and some poultry, and I found that the condition of this stuff was not satisfactory; it had not been properly handled, and we could not get the goods of the right quality and the right condition, and we considered it this way: In our branch markets in the West—Swift & Co. have markets in Iowa and Michigan and Indiana and Ohio—we are there selling beef, and they are refrigerated. We have to keep a temperature of from 30 to 40 to keep the beef from spoiling.

We said we had better go and buy some of these eggs and poultry, because we have got the refrigeration, and then we can ship it in refrigerator cars, and when it gets down to the East, we have got a wholesale market that is refrigerated. That is in contrast to the way it has been previously handled; it had been handled in the country without refrigeration and it had been shipped without refrigeration, and the people that received it did not as a rule have refrigeration down East. So we drifted into this business of buying the butter and the eggs and poultry, and as long as it is a food product, and as long as we are handling it better, and have better facilities to handle it than other people have, and are doing better than these other people did before, that is our reason for believing that it naturally goes with this business.

Mr. SWEET. Do you handle any flour?

Mr. SWIFT. Not a pound.

Mr. SWEET. Or rice?

Mr. SWIFT. Not a pound, and do not intend to. We do not handle coffee or cereals of any kind.

Mr. SWEET. Do you handle none of the breakfast foods?

Mr. SWIFT. No, sir; and do not intend to.

Mr. SWEET. In view of a statement made here by a representative of the Federal Trade Commission relative to the grocery business, I would like to have you state to this committee what percentage of your business, if any, relates to the grocery business: how extensive is it?

Mr. SWIFT. I will tell you how extensive it is and how we happened to be in it. It began when Swift & Co. owned Libby, McNeill & Libby. Libby, McNeill & Libby was the firm that produced the most canned meat, tinned meat of any form, in the United States, and about 10 or 12 years their business dropped off. The raising of canning cattle was getting less; people did not raise so many of those thin canners; they had better cattle. They could not afford to raise canners; they raised them better. Consequently the supply of beef coming to the market for the can was diminishing. I must explain to you gentlemen that thin cattle that have not much fat on them make better canned meat. It is necessary to have lean cattle to put in the cans; you can not put fat in the can satisfactorily. So this supply of canning cattle dropped off materially; it decreased a very large percentage. At the same time the demand for canned beef decreased. People did not want to buy canned meat any more, and Libby's business, as you might say, was going to the dogs, and we talked it over and said, "what shall we do now to keep up this volume?" They had a tin-can factory, perhaps the best in the United States, and they could make the tins and they knew this process of preserving goods, and they had a good reputation and brands and they had salesmen, and we talked it over and Libby said: "I think here is a great opening to go into the canned asparagus business. This canned asparagus on the market is not very good, it ought to be better. We can go out to the Sacramento Valley in California, on that river there, and we can put up a canning factory and we can put the asparagus in the cans the same day it comes out of the gardens, and there is an opening for us." We said, "All right; go ahead, try it." They did it, and they have been very successful. They also came along and said, "Here is a friend of ours who has got a pineapple factory in Honolulu. He is very old and short of money and he can not go on, and he speaks of selling out, and we have got the tin cans and we think we ought to can pineapples." We said, "All right, go ahead and try the pineapples."

After a while they wanted to can some more fruit in California, like peaches and apricots. That was a part of the Libby business, which was a canning business. I asked them what their reason was; what they wanted to can that fruit for? They said, "It is not done right; those people do not have the facilities, the fruit rots in the orchard, and falls on the ground. We can go out there and pay them a price for the peaches and apricots and save this waste and put up a better article of fruit than is being put up, and it will be beneficial to the producer and consumer." We said, "All right, go ahead and give it a trial. Your business is falling off in canned meats," and naturally as Libby purchased that stuff and Swift & Co. are large distributors, we would buy that stuff from Libby and put it through our beef houses, and that is the way we have got into the canned fruit and canned vegetable business.

Mr. SWEET. Is that a profitable adjunct to your business?

Mr. SWIFT. It is.

Mr. SWEET. How profitable, as separated from your packing business; you can answer that generally?

Mr. SWIFT. I want to explain. The canning itself is under Libby; those canning factories belong to Libby; they are profitable to Libby.

They make him a good reasonable profit, as good as any branch of his business. In addition to that, we buy the stuff of Libby, and we make a jobber's profit out of it, a distributing profit.

Mr. SWEET. And you are interested in the market price of those products and articles, are you not?

Mr. SWIFT. As jobbers; yes, sir. In addition to that, Libby puts up canned tomatoes. We handle them. Libby is selling them at the same time; he has his own salesmen; he sells them to the jobber and the retailer, but Swift & Co. is also distributing them for him. As to anything else we handle in that grocery line, I think I have covered them all, unless you put soap in that category. We do that to get rid of our soap grease.

Mr. SWEET. That is really a related product?

Mr. SWIFT. Yes. I want to ask one of my assistants if they can think of anything else in the grocery line. I think that practically covers it all.

Mr. ESCH. You handle cheese?

Mr. SWIFT. Yes; I should have covered cheese. I meant to have said butter, cheese, eggs, and poultry.

Mr. DECKER. Does cheese need refrigeration?

Mr. SWIFT. It does if it is carried a long while. I would not say it was necessary for all of it, but first before you get through you have got to carry it a few weeks or months and keep it in proper storage.

Mr. SWEET. Do you believe that there is anything in the contention of the Federal Trade Commission that the five large packers in the course of the next 10 years, if they are allowed to continue in the handling of unrelated products, can control in a measure the food supply of this country and also the markets of food?

Mr. SWIFT. There is nothing in that.

Mr. SWEET. Just a few questions in regard to refrigerator cars. Thus far your statements have been in regard to the cleansing of the cars and scrubbing them out. Does Swift & Co. keep a force for the purpose of following your 7,000 cars about the yards?

Mr. SWIFT. Yes, sir. I should have extended my remarks about the scrubbing; I should have stated about repairing. These cars get broken inside, the top deck. The most important thing of all I forgot; and that was the question of taking the proper care of the ice tanks. They have ice tanks in the ends, and you have to be very careful and see that those tanks are properly filled and that the cars are properly iced.

Mr. SWEET. Your real contention in regard to the refrigerator cars is that by the packers handling the cars themselves and owning them they can get more efficient service?

Mr. SWIFT. Yes, sir.

Mr. SWEET. And they can get more efficient service than the railway companies can give in that connection.

Mr. SWIFT. Yes, sir.

Mr. SWEET. Or that the Government could give if they owned them?

Mr. SWIFT. Yes, sir; and they could provide for a shortage in that way that I mention, by building what is necessary and putting them into service.

Mr. SWEET. To meet the demands of the refrigerator cars in the meat industry?

Mr. SWIFT. Yes, sir.

Mr. SWEET. And in other industries?

Mr. SWIFT. Yes, sir.

Mr. SWEET. Now, the people of Iowa, and especially of the Mississippi Valley, are interested, of course, in getting fair and reasonable prices for hogs and cattle. It has been frequently suggested that Mondays and Wednesdays were the principal market days at the Chicago stockyards. Why is that so? Would it not be better if all the stock were distributed over the whole week, or the first five days of the week?

Mr. SWIFT. Mondays and Wednesdays used to be the principal days of receipts.

Mr. SWEET. How did that come about?

Mr. SWIFT. I do not know. I think the cattlemen wanted to ship on Saturdays, the farmers. I think they wanted to clean up on Saturdays, and they would bring them in on Mondays. And then I think they wanted to ship again Mondays and that would bring them on Wednesday. I think that is what started it, and that was quite a handicap and an economic waste, but that has been overcome now for a good many months, and the stuff is coming to the market more regularly on the five days in the week. That has been brought about by a zoning system.

Can I incorporate one thing? You asked what per cent this grocer business was. It is very small; it does not amount to over 2 or 3 per cent.

Mr. SWEET. That is all, Mr. Chairman.

Mr. CHAIRMAN. Mr. Decker, do you wish to ask any questions.

Mr. DECKER. Has the number of packers in the country increased or decreased in the last 25 years?

Mr. SWIFT. In 25 years?

Mr. DECKER. Yes.

Mr. SWIFT. I think it has increased.

Mr. MONTAGUE. You gave in your opening statement this morning a considerable number of the increases?

Mr. SWIFT. Yes, sir. They are packers that have this Government inspection; there are 335 of them, and I am going to tell you how many of those 335 are owned by the five largest packers. I have it right here. Of a total of 335 Government inspected houses the five large packers are interested in 65 of them. You understand about this Government inspection. Swift & Co. have Government inspection. They have to have everything inspected by the Government that they handle. Supposing in Illinois we have a packing house. Anybody else that has a packing house in Illinois and sells in Illinois only does not have Government inspection; I mean the small men. You are from Missouri; let us take Kansas City. A man wants to kill some stock in Kansas and sell it in Kansas City, and he does not have to have Government inspection, but Swift & Co., if they sell in Kansas City or in Kansas, have to be Government inspected. You understand that?

Mr. DECKER. Yes.

Mr. SWIFT. And the men that do not have Government inspection can not ship out of the State.

Mr. DECKER. Say, in the last 10 years, from your recollection, has the number of packing companies varied in the United States?

Mr. SWIFT. I do not think it has varied much in 10 years.

Mr. DECKER. What would be your impression; has it diminished the number?

Mr. SWIFT. I do not think so.

Mr. DECKER. To what extent has the volume of the packing industry increased in the last 10 years?

Mr. SWIFT. That is regulated by the production of the live animals, and it is now about at the top notch. It is about the highest now. It has been getting along the last year or two up at the top notch. It runs in waves; you will have a wave of three or four years that production will run down, and then it will run up. Now it is running up; it is up; it is up toward the top notch. Swift & Co. and all packers, as far as I know, all packers, large, small, medium, are doing more business than they ever did before in their lives.

Mr. DECKER. Do the smaller packers make a larger percentage of profit than you big packers?

Mr. SWIFT. That is pretty hard to tell. You can not get much of a record of their figures. They are not made public and I would not know what to say about that. You see, it is so irregular. Some of them draw a salary for doing the business and some of them draw no salaries.

Mr. DECKER. That reminds me of something else about salaries and I ask the question not for the purpose of being personal, but so that the public will know and I think it would be well for your own interest and the interest of the company to state frankly what is your salary.

Mr. SWIFT. My salary is \$50,000 a year. It has been that for two or three years. It used to be \$35,000 for two or three years, and then it was \$25,000 before that.

Mr. DECKER. And what other officers in your company receive large salaries—I mean the management?

Mr. SWIFT. My brother Edward and three other brothers get from \$25,000 to \$35,000 a year.

Mr. DECKER. They are practical packing men, are they?

Mr. SWIFT. They are.

Mr. DECKER. And your family combined does not own the majority of the stock of your company?

Mr. SWIFT. It does not.

Mr. DECKER. Who is the largest single stockholder, if you remember, outside of the members of your family, in your company, or among the larger ones?

Mr. SWIFT. They would be the directors, of course. They are large stockholders, all of them.

Mr. DECKER. Who are the directors in your company, does your statement show that?

Mr. SWIFT. Yes, sir.

Mr. DECKER. Then you need not take the time to answer that. Where is that found?

Mr. SWIFT. On the last page of this statement.

Mr. DECKER. Mr. Clarke is from New York?

Mr. SWIFT. Yes, sir.

Mr. DECKER. He is president of the American Exchange National Bank?

Mr. SWIFT. His father was a director before him, but his father died, and so he follows along.

Mr. DECKER. What other interests, if you happen to know, is Mr. Clarke interested in besides the banking interest?

Mr. SWIFT. I do not know of any other.

Mr. DECKER. You do not know whether he is interested in the railroads or not?

Mr. SWIFT. I do not think he is.

Mr. DECKER. Brainard, of Hartford, is an insurance man?

Mr. SWIFT. In the steam-boiler insurance.

Mr. DECKER. Liability insurance?

Mr. SWIFT. Yes. We had a man by the name of Brainard, from Hartford, for director for 10 or 15 years and he died, and this is his brother, or stepbrother, or brother-in-law; I do not know just what the connection is, but he represents our eastern stockholders of New England living in Hartford.

Mr. DECKER. What is the business of Mr. Carton, of Chicago?

Mr. SWIFT. He is treasurer. He devotes his entire time to the financing of Swift & Co.

Mr. DECKER. What salary does he get?

Mr. SWIFT. I think he gets \$25,000 a year. It is just right in there.

Mr. DECKER. I would like to know if there is any way for you to give a synopsis of it, to show how much stock outside of your family is scattered over the country?

Mr. SWIFT. There is no large holding. I do not think there is anybody that holds over \$100,000 outside of the directors.

Mr. DECKER. Take you and the members of your family, briefly: Is there any other important business that you are engaged in besides the packing business, the meat industry?

Mr. SWIFT. There is not.

Mr. DECKER. Either related or not related?

Mr. SWIFT. No, sir. I have no other interest; I put in my entire time and attention in the Swift & Co. business.

Mr. DECKER. Most of your private capital is invested in the company?

Mr. SWIFT. It is.

Mr. DECKER. Is that true of your brothers?

Mr. SWIFT. Yes, sir.

Mr. DECKER. None of you owns railroad stock?

Mr. SWIFT. I do not think so.

Mr. DECKER. What about the banking business; are you interested in any bank?

Mr. SWIFT. Not to any extent. At these stockyard companies I have explained to you about, Fort Worth and St. Joe and St. Paul that we took hold of to develop them as market centers, we found out right away that we had to have a bank, and we started up a small bank. It might have a capital of \$50,000 or \$100,000, and we got all the local people in the neighborhood that we could to become stockholders in the bank, and what they would not take we take. I think my brothers and myself may own 25 per cent of the St. Paul bank

or the Fort Worth bank, or the St. Joe bank. We got in all the outsiders we could, and the bank president and the officers there all own some stock, and we had to take the stock to have the bank organized and have it get along, but it does not amount to anything in volume.

Mr. DECKER. What are these banks you are interested in? You say they help the business; in what way? You advance credit to stock raisers?

Mr. SWIFT. Yes, sir. Each stockyard company has to have a stock exchange building to accommodate the commission men; to let them have offices on the rental basis; there have to be a bank and a cattle loan company. They will loan money to these cattlemen out in the country and generally facilitate the business, and it is the only way to build up a live-stock market. That has proven to be successful, and it is very satisfactory and very much appreciated, so far as I know.

Mr. DECKER. I will ask you another question that occurred to me. Where is your headquarters?

Mr. SWIFT. Chicago.

Mr. DECKER. How many cattle buyers have you on the Chicago market for your company; do you know?

Mr. SWIFT. Yes; I have an idea. As you know, there are all grades of them. We begin with boys. In the first place, the boys begin to drive the cattle, and if they show a little knack and a little future, we let them begin buying odd cattle, one or two at a time, and we start them in that way, so there are all grades of buyers, and it would add to as many as 15 or 20, but there would be only 5 or 6 first-class buyers, and the others amateurs coming along; but the total might 15 or 20.

Mr. DECKER. How many buyers have you now in proportion to what you had, say, five years ago? Do you happen to remember, more or less?

Mr. SWIFT. Well, more, if anything; if there is any change, it is more.

Mr. DECKER. Why did you think it advisable to separate Libby, McNeal & Libby from the main concern? I ask that because it seems to me to bear on the very question that the Federal Trade Commission discussed.

Mr. SWIFT. It is owing to the general misconstruction of the public as regards the understanding of the profits made in the meat business. We did not want their profits and their earnings to become mixed up and confuse the profits and the earnings of Swift & Co. in the meat business. So we separated it, and whatever Libby's earnings and profits are will go to the stockholders direct without going through the form of Swift & Co.'s treasury. It involved and made too many misunderstandings of the situation.

Mr. DECKER. It was not because their business was unsatisfactory; it was for bookkeeping purposes, to know what you were making and what they were making?

Mr. SWIFT. That, and for publicity purposes, and the general misunderstanding of the profits of the meat business, the profits of Swift & Co.

Mr. DECKER. Where would a man go if he wanted to find out how many failures there have been in the packing business in the last 10 years? Just to be frank with you and not beating around the bush, I wanted to get at whether there were any grounds for believing that

you five big packers had frozen anybody out, like it is claimed Rockefeller and the Standard Oil Co. did. Do you happen to know of any failures in the last 10 years?

Mr. SWIFT. Yes; I know of one or two. There is a concern in Chicago that used to be called the Chicago Packing Co., and they made some sort of a merger with English stockholders, and they are next to our plant in Chicago, and they got mixed up and got over-capitalized, and one thing and another, and they failed, and their plant had to be sold?

Mr. DECKER. Who bought it?

Mr. SWIFT. We bought it. They were next to us; in fact, we surrounded them with buildings. It was an old firm, consisting of Mr. Henry Botsford, of Chicago; Mr. Thomas Wells, Mr. Dee, and others. The firm itself was all right, but they got mixed up with flotation schemes and they could not make it go, and they sold out and quit the business.

Mr. DECKER. How long ago was that?

Mr. SWIFT. About 10 or 15 years. I am told by my assistant that it was in the nineties. That might have been—the time flies so fast.

Mr. DECKER. What other packing company have you bought out, if any?

Mr. SWIFT. About 15 years ago, I think, there was a movement to buy out the packing houses, and a packing house by the name of Hammond & Co. and others were purchased, and the National Packing Co. was formed, and they ran along for about 10 years, but the Government took exception to that, and that was voluntarily dissolved.

Mr. DECKER. That is how you and the Armours got the present control of the Denver yards, is it not?

Mr. SWIFT. Yes, sir.

Mr. DECKER. Were you interested in the National Packing Co.?

Mr. SWIFT. Yes, sir. I will tell you just as much as I know about this thing. I think when the United States Steel Co. was put together there was a plan to put the packing houses together on something of the same basis, and that was worked out by my father and Mr. Armour and Mr. Morris, and they went so far as to buy up 10 or 15 of the next largest companies, and while the United States Steel Co. went through without any trouble, the other one fell flat. They could not finance it, or something happened. I do not know exactly what did happen. I know they could not finance it. A misunderstanding with Kuhn, Loeb & Co. That is all in the record.

Mr. DECKER. If it is already in the record, I do not want to go into it again.

Mr. SWIFT. It is in the record of the litigation in Chicago.

Mr. DECKER. I want to get your view of it. I do not care if it is in the record of the Federal Trade Commission.

Mr. SWIFT. Being unable to agree with the bankers, the merging of the packing business at that time fell flat and caused the existence of a national packing company, and they operated, I think, for 10 years, and it was not satisfactory to the Government. They ordered a dissolution of the National Packing Co., and that is how we happened to get one packing house at Denver—a half interest in the Denver Stockyards—and Armour got the other packing house, and

we got a packing house in Chicago named the Hammond Packing Co. We got one in Milwaukee named the Plankton Packing Co., and one or two other plants.

Mr. DECKER. Those are the only purchases that your company have made of independent concerns?

Mr. SWIFT. We have bought a packing house in Moultrie, Ga., called the Moultrie Packing Co., and another one in Andalusia, in Alabama.

Mr. DECKER. Were you already doing business there, yourself? They were not competitors of yours down there?

Mr. SWIFT. No, sir.

Mr. DECKER. You just bought them with the intention of developing business down there?

Mr. SWIFT. That is all. I do not think of any more.

The CHAIRMAN. As we will have to go into executive session, we will continue your hearing to-morrow morning at 10 o'clock.

(Thereupon, at 4.45 o'clock p. m., the committee went into executive session.)

CHICAGO, February 5, 1919.

The following is a list of competitors' prices on beef submitted to the Army, Navy, and the different Government institutions:

Mississippi River Commission, Memphis, Tenn. (bids opened Apr. 22, 1916, for delivery during the month of May):

S. & S.	11.50
Armour	11.45
Cudahy	10.71
Swift	12.00
Morris	12.50

Southwest Army camps department quartermaster, Fort Sam Houston, Tex.:

Fort Bliss (bids opened Apr. 26, 1916, for delivery during six months' period from July 1 to Dec. 31, 1916)—

S. & S.	11.30
Morris	13.29
Armour	13.14
Swift	11.60

Fort Huachuca, Ariz. (bids opened Apr. 26, 1916, for delivery during six months' period from July 1 to Dec. 31, 1916)—

S. & S.	12.70
Morris	14.63
Armour	13.71
Swift	13.16

Depot quartermaster, El Paso, Tex. (delivery to Mexican border posts: bids opened May 20; delivery during six months' period from July 1):

Swift	11.69
Armour	11.29
Morris	12.91
S. & S.	11.46

U. S. S. *Celtic*, navy yard, Brooklyn (bids opened June 1, 1916; delivery between June 12 and June 18):

S. & S.	14.85
Swift	14.18
Armour	14.20
Morris	15.43
Cudahy	16.50

East River Fleet, Brooklyn (bids opened June 10, 1916, for delivery during three months' period from July 1):

S. & S.	13.95
Swift	14.11
Armour	13.95
Fitter	13.00

850 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Department of correction, New York City (bids opened July 29, 1916, for delivery during August and September, 1916) :

Wilson	13.06
Armour	10.98
Morris	11.97
Strauss	10.98

United States Engineers, Memphis, Tenn. (bids opened July 25, 1916, for delivery during August) :

Wilson	10.43
Swift	9.90
Armour	10.67
Morris	10.25

National Home for Disabled Volunteer Soldiers, Togus, Me. (bids opened Aug. 14 for delivery during three months' period beginning Oct. 1, ending Dec. 31) :

Wilson	11.85
Swift	11.47
Armour	11.60
Cudahy	12.71

National Home for Disabled Volunteer Soldiers, Marion, Ind. (bids opened Aug. 14 for delivery during three months' period beginning Oct. 1, ending Dec. 31) :

Wilson	11.98
Cudahy	11.85
Ballard	12.74
Armour	11.98

National Home for Disabled Volunteer Soldiers, Leavenworth, Kans. (bids opened Aug. 16 for delivery during three months' period beginning Oct. 1, ending Dec. 31) :

Wilson	11.15
Armour	10.67
Cudahy	11.48
Cochran	11.23
Morris	11.37
Swift	10.55

Depot quartermaster, El Paso, Tex. (bids opened Aug. 20 for delivery during period beginning Aug. 21 and ending Nov. 20) :

Wilson	11.40
Swift	11.60
Armour	10.94

Mississippi River Commission, Memphis, Tenn. (bids opened Aug. 22, for delivery during month of September) :

Armour	9.89
Swift	9.45
Morris	10.29
Wilson	9.92
Cudahy	9.21

New York State Hospital commission (bids opened Aug. 22 for delivery during three months' period beginning Oct. 1, ending Dec. 31) :

Armour	15.20
Morris	16.35
Dold	16.59
Cudahy	15.00
Swift	13.95
Wilson	14.15

United States Navy, Philadelphia (bids opened Sept. 18 for delivery during three months' period beginning Oct. 1, ending Dec. 31) :

Armour	11.68
Swift	12.44
Martin	13.75
Wilson	12.20
Cudahy	12.71

Camp Denning, N. Mex. (bids opened Oct. 24 for delivery during period beginning Nov. 22, ending Dec. 24) :

Wilson	12.10
Armour	11.92
Swift	12.62
Hlatt	12.50

National Home for Disabled Volunteer Soldiers, Leavenworth, Kans.
(bids opened Nov. 15 for delivery during three months' period beginning Jan. 1, ending Mar. 31, 1917) :

Wilson	11.92
Armour	11.48
Cudahy	11.21
Morris	11.48
Swift	11.94

U. S. S. *Celtic*, Brooklyn Navy Yard (bids opened Nov. 20 for delivery during period beginning Dec. 10, ending Dec. 20, 1916) :

Wilson	11.62
Swift	11.62
Armour	11.42
Morris	11.38

Depot quartermaster, El Paso, Tex. (delivery to border posts; bids opened Dec. 8 for delivery during six months' period beginning Jan. 1, ending June 30, 1917) :

Armour	11.91
Swift	12.10
Wilson	12.22
Hlatt	13.12

Oklahoma State Hospital, Norman, Okla. (bids opened Dec. 9 for delivery during February and March, 1917) :

Armour	10.96
Swift	10.44
Cudahy	10.71
Morris	8.97
Wilson	9.94

Kansas State Institutions (bids opened Dec. 9 for delivery during six months' period beginning Jan. 1, ending June 30, 1917) :

Morris	10.70
Wilson	11.69
Schalker	11.93
Swift	11.09
Armour	10.66
Cudahy	12.37
Wolff	10.75

New York State Hospital Commission (bids opened Dec. 13 for delivery during three months' period beginning Jan. 1, ending Mar. 31, 1917) :

Morris	15.08
Swift	14.35
Armour	13.96
Cudahy	14.35
Wilson	14.60
Dold	16.85

East River fleet, Brooklyn, N. Y. (bids opened Dec. 15 for delivery during three months' period beginning Jan. 1, ending Mar. 31, 1917) :

Wilson	12.96
Swift	12.82
Armour	12.38
Fitter	11.56
Conron	13.50
Dold	13.00

United States Navy, Boston (bids opened Dec. 15 for delivery during three months' period beginning Jan. 1, 1917) :

Wilson	12.96
Swift	12.94
Cudahy	13.21
Armour	13.48
Morris	13.43
Lynde	13.60
Haynes	13.70

New York City institutions (bids opened Dec. 22 for delivery during January, February, and March, 1917) :

Wilson	12.68
Swift	13.32

852 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

New York City Institutions—Continued.

Armour	12.86
Morris	18.47
Grand Central Market Co.	11.49
F. J. Murray	11.70
Mississippi River Commission, St. Louis, bids opened Jan. 22, 1917, for delivery during month of February:	
Wilson	10.45
Armour	10.40
Cudahy	10.41
Swift	10.98
Morris	11.50
National Home for Disabled Volunteer Soldiers, Togus, Me., bids opened Feb. 18, 1917, for delivery during three months' period beginning Apr. 1, 1917:	
Wilson	14.95
Armour	14.20
Swift	14.94
Cudahy	15.25
National Home for Disabled Volunteer Soldiers, Danville, Ill., bids opened Feb. 18, 1917, for delivery during three months' period beginning Apr. 1, 1917:	
Wilson	14.95
Armour	18.90
Morris	18.97
Cudahy	14.00
Fort Riley, Kans., bids opened Feb. 20, 1917, for delivery during period beginning Feb. 26, ending Mar. 25, 1917:	
Armour	18.52
Swift	17.71
Cudahy	17.86
Morris	17.69
Wilson	17.44
United States Navy, Boston, bids opened Mar. 15, 1917, for delivery during three months' period beginning Apr. 1, 1917:	
Wilson—	
Fresh	15.92
Frozen	15.92
Armour—	
Fresh	16.42
Frozen	16.42
Swift—	
Fresh	16.50
Frozen	14.25
Morris—	
Fresh	15.42
Frozen	15.42
United States Navy, Brooklyn, N. Y., East River Fleet, bids opened Mar. 15, 1917, for delivery during three months' period beginning Apr. 1, 1917:	
Wilson—	
Fresh	15.92
Frozen	15.92
Swift—	
Fresh	16.50
Frozen	14.95
Armour—	
Fresh	15.25
Frozen	14.96
Fitter—	
Fresh	14.75
Frozen	14.90
United States Submarine Base, New London, Conn., bids opened Mar. 30, 1917, for delivery during three months' period beginning Apr. 1, 1917:	
Wilson—	
Fresh	16.42
Frozen	16.42

United States Submarine Base, New London, Conn.—Continued.

Armour—	
Fresh	16.72
Frozen	16.72
Swift—	
Fresh	16.92
Frozen	15.38
U. S. S. <i>Celtic</i> , Brooklyn, N. Y., bids opened Apr. 18, 1917, for delivery during period beginning Apr. 23, ending May 8:	
Wilson	17.72
Swift	17.62
Armour	16.40
Cudahy	17.00
Morris	15.38
U. S. Engineers, Memphis, Tenn., bids opened Apr. 23, 1917, for delivery during month of May, 1917:	
Armour	15.85
Swift	15.00
Cudahy	15.00
Morris	14.125
Wilson	18.92
National Home for Disabled Volunteer Soldiers, Togus, Me., bids opened May 14, 1917, for delivery during three months' period beginning July 1, ending Sept. 30, 1917:	
Wilson	17.02
Armour	16.54
Swift	16.47
Cudahy	16.47
East River Fleet, navy yard, Brooklyn (bids opened June 15, 1917, for delivery during three months' period beginning July 1, 1917):	
Wilson	17.45
Armour	16.95
Swift	17.92
Dold	18.25
Fitter	17.75
Fort Sam Houston, Tex. (bids opened June 12, 1917, for delivery during three months' period beginning July 1):	
Armour	16.08
Swift	15.92
Morris	17.18
Wilson	16.72
U. S. S. <i>Bridge</i> , navy yard, Brooklyn (bids opened Aug. 9 for delivery during period beginning Aug. 24, ending Aug. 30):	
Wilson	15.58
Swift	15.80
Armour	15.87
Morris	15.87
U. S. S. <i>Colson</i> , Brooklyn, N. Y. (bids opened July 12, 1917, for delivery during period beginning July 23, ending Aug. 3):	
Wilson	16.86
Swift	16.22
Armour	15.68
Cudahy	17.71
Morris	16.19
Cannon	18.50
National Home for D. V. S., Kans. (bids opened Sept. 5, 1917, for delivery during October, November, and December):	
Wilson	16.42
Armour	14.98
Cudahy	15.98
Morris	15.46
Swift	15.48
Cochran	16.97
Schalker	15.28
U. S. S. <i>Celtic</i> , Brooklyn (bids opened Sept. 14, 1917, for delivery during period beginning Sept. 24, ending Sept. 29):	
Wilson	17.41
Armour	16.80

854 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

U. S. S. <i>Celtic</i> , Brooklyn—Continued.	
Swift	17. 22
Morris	17. 53
Fort Riley, Kans. (bids opened Sept. 20, 1917, for delivery during month of October) :	
Wilson	16. 71
Armour	17. 07
Swift	18. 10
Morris	15. 93
Cudahy	15. 91
United States Navy Yard, Philadelphia (bids opened Sept. 24, 1917, for delivery during three months' period—October, November, and December) :	
Armour	18. 23
National	17. 94
Wilson	18. 80
Swift	18. 00
Martin	18. 90
Third District Naval Force, Pelham Bay, N. Y. (bids opened Sept. 25, 1917, for delivery during October, November, and December) :	
Swift	18. 30
Armour	17. 53
I. Frank	17. 50
Grand Central	16. 70
U. S. S. <i>Culgoa</i> , Brooklyn (bids opened Sept. 27, 1917, for delivery during period beginning Oct. 8, ending Oct. 12) :	
Wilson	17. 21
Swift	17. 45
Armour	17. 63
Morris	16. 91
U. S. S. <i>Celtic</i> , Brooklyn (bids opened Dec. 5, 1917, for delivery during period beginning Dec. 12, ending Dec. 19) :	
Wilson	17. 17
Swift	17. 14
Armour	17. 37
Weill & Isaacs	19. 62
Morris	17. 22
National Home for Disabled Volunteer Soldiers, Leavenworth, Kans. (bids opened Dec. 5, 1917, for delivery during three-months' period from Jan. 1, 1918) :	
Wilson	19. 20
Armour	16. 90
Cudahy	15. 47
Morris	16. 30
Swift	17. 73
Schalker	15. 82
United States Navy, Brooklyn (bids opened Dec. 11, 1917, for delivery within 90 days from date of contract) :	
Wilson	18. 86
Morris	18. 62
Swift	19. 04
Provisions and clothing depot, United States Navy Brooklyn, N. Y. :	
Bids opened Jan. 2, 1918, for delivery during month of January—	
Wilson	18. 42
Swift	18. 54
Armour	17. 90
Cudahy	19. 15
Morris	18. 99
Bids opened Jan. 29, 1918, for delivery during month of January—	
Wilson	18. 72
Armour	19. 17
Swift	18. 83
Cudahy	18. 46
Morris	18. 73
Cincinnati Abattoir	18. 99
Weill & Isaacs	21. 124

United States Navy, Brooklyn, East River, bids opened February 15, 1918, for delivery during March:

Wilson—	
Fresh.....	18.32
Frozen.....	18.72
Swift—	
Fresh.....	18.90
Frozen.....	19.40
Armour—	
Fresh.....	19.25
Frozen.....	19.98
I. Frank—	
Fresh.....	19.50
Frozen.....	19.70

Provisions and clothing depot, East River fleet, Brooklyn, N. Y.:

Wilson.....	19.85
Swift.....	19.14
Armour.....	20.73
Dulany, Tuller & Spitter.....	19.80
I. Frank.....	19.50

United States Navy Yard, Boston (Bids opened March 20, 1918, for delivery during last 10 days in March):

Wilson.....	19.95
Cudahy.....	20.25
Armour.....	20.47
Swift.....	19.88
Blackstone Supply Co.....	19.20

New York City institutions, New York, N. Y. (bids opened Mar. 29, 1918, for delivery during April, May, and June):

Wilson.....	20.88
Swift.....	20.75
Armour.....	20.97
Murray.....	18.10
Strauss.....	19.44

State Penitentiary, McAlester, Okla. (bids opened Apr. 2, 1918, for delivery during month of April):

Armour.....	16.95
Swift.....	17.52
Cudahy.....	18.00
Morris.....	19.31
Wilson.....	18.85

National Home for Disabled Volunteer Soldiers, Togus, Me. (bids opened Apr. 22, 1918, for delivery during month of May):

Wilson.....	25.40
Swift.....	25.25
Armour.....	24.87

Mississippi River Commission, Memphis, Tenn. (bids opened Apr. 24, 1918, for delivery during month of May):

Wilson.....	17.50
Swift.....	22.09
Armour.....	22.00
Cudahy.....	19.50
Dold.....	20.00

United States Engineers, Memphis, Tenn. (bids opened Apr. 25, 1918, for delivery during month of May):

Wilson.....	17.50
Swift.....	22.95
Dold.....	20.00
Armour.....	22.88

New York City institutions, New York City, N. Y. (bids opened Nov. 11, 1918, for delivery during month of December):

Wilson.....	26.00
Murray.....	21.88
Greenbaum.....	18.80
Strauss.....	21.91

856 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

United States Marine Corps, Paris Island, S. C. (bids opened Nov. 15, 1918, for delivery during month of December):

Wilson	24.80
Morris	25.45

New York State Hospital Commission, Albany, N. Y.:

Bids opened Oct. 29, 1918, for delivery during month of November—

Strauss	23.74
Wilson	27.15
Dold	25.85
Cudahy	27.25

Bids opened Nov. 26, 1918, for delivery during month of December—

Cudahy	25.60
Morris	25.73
Armour	24.30
Dold	36.85
Wilson	25.90

New York City Institutions, New York City (bids opened Dec. 21 for delivery during month of Jan., 1919):

Wilson	24.00
Murray	20.70
Greenbaum	20.90
Strauss	19.08
Armour	26.50
Isaacs	21.60

New Jersey Institutions, Trenton, N. J. (bids opened Dec. 28 for delivery during Jan., Feb., and Mar., 1918):

Wilson	26.25
Swift	26.76
Armour	25.00

East River fleet, P. & C. depot, Brooklyn, N. Y. (bids opened Dec. 15 for delivery during January):

Wilson	25.44
Swift	25.31
I. Frank	24.50
Armour	25.75
Morris	25.00

United States Soldiers' Home, Washington, D. C. (bids opened Dec. 20 for delivery during month of January, 1919):

Cudahy	25.50
Morris	23.895
Swift	24.35

United States Marine Corps, Paris Island, S. C. (bids opened Dec. 15 for delivery during the month of January, 1919):

Wilson	25.89
Armour	27.25

Third District Naval Force, Pelham Bay, N. Y. (bids opened Dec. 18 for delivery during month of January):

Armour	24.85
I. Frank	22.75
Conron	22.50

United States Navy, Boston, Mass. (bids opened Dec. 30 for delivery during month of January):

Wilson—	
Fresh	24.93
Frozen	26.00
Swift—	
Fresh	25.60
Frozen	26.20
Blackstone (fresh)	24.95
Armour—	
Fresh	25.48
Frozen	26.48
Morris—	
Fresh	25.00
Frozen	26.99

United States Navy, Boston, Mass.—Continued.

Cudahy—	
Fresh	26.46
Frozen	26.81
New York State Hospital Commission, Albany, N. Y. (bids opened Jan. 28 for delivery during month of February to Brooklyn State Hospital) :	
Cudahy	27.11
Swift	26.71
Armour	27.89
Strauss	23.41
Conron	23.70
Dold	25.60
Wilson	27.90
United States Soldiers' Home, Washington, D. C. (bids opened Jan. 22 for delivery during month of February, 1919) :	
Armour	15.47
Cudahy	25.70
Morris	25.73
Swift	25.55
First naval district, New London, Conn. (bids opened Jan. 27 for delivery during month of February, 1919) :	
Wilson	25.89
Armour	27.05
Swift	27.71
United States Navy, Boston, Mass. (bids opened Jan. 15 for delivery during month of February, 1919) :	
Wilson—	
Fresh	24.90
Frozen	25.90
Armour—	
Fresh	28.70
Frozen	29.98
Blackstone (fresh)	27.30
Cudahy—	
Fresh	27.00
Frozen	27.38
Swift—	
Fresh	27.71
Frozen	27.71
United States Marine Corps, Paris Island, S. C. (bids opened Jan. 15 for delivery during month of February, 1919) :	
Macon Packing Co.	24.00
Wilson	25.82
Morris	28.05
Swift	28.05
United States Marine Corps, Quantico, Va. (bids opened Jan. 21 for delivery during month of February, 1919) :	
Swift	28.21
Armour	29.48
Morris	27.34
Cudahy	28.50
P. & C. depot, Brooklyn, N. Y., East River Fleet (bids opened Jan. 15 for delivery during month of February, 1919) :	
Wilson—	
Fresh	25.98
Frozen	26.72
Swift—	
Fresh	27.71
Frozen	27.96
Armour—	
Fresh	27.70
Frozen	28.98
Morris—	
Fresh	26.84
Frozen	27.49

858 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

P. & C. depot, Brooklyn, N. Y., East River Fleet—Continued.

I. Frank (fresh)	26.50
Dulaney (fresh)	29.00
United States Naval Training Station, Great Lakes, Ill. (bids opened Jan. 25 for delivery during month of February, 1919) :	
Armour	26.74
Swift	26.97
Morris	26.40
United States Navy, Philadelphia (bids opened Jan. 27 for delivery during month of February, 1919) :	
Wilson—	
Fresh	26.80
Frozen	27.30
Swift—	
Fresh	27.41
Frozen	28.03
Armour—	
Fresh	27.39
Frozen	27.89
Cudahy—	
Fresh	26.21
Frozen	26.41
Martin—	
Fresh	24.25
Frozen	24.70
Illinois State Institutions, Springfield, Ill. (bids opened Jan. 4 for delivery during January, February, and March) :	
Cudahy—	
Beef fores	18.00
Beef hinds	21.25
Armour—	
Beef fores	19.00
Beef hinds	21.50
Swift—	
Beef fores	16.50
Beef hinds	20.00
Wilson—	
Beef fores	20.20
Beef hinds	23.20
Fleet supply base, Brooklyn, N. Y. (bids opened Jan. 30 for delivery on board U. S. S. <i>Glacier</i> between Feb. 1 and Feb. 10, 1919) :	
Fresh frozen beef—	
Wilson	27.18
100,000 pounds	27.43
100,000 pounds	27.68
90,000 pounds	27.98
Swift	27.69
Armour	28.24
Cudahy	28.14
Cln. Abt	28.50
Morris	28.40
Fleet supply base, Brooklyn, N. Y (bids opened Jan. 31 for delivery during month of February, 1919, to Union Terminal Cold Storage Co., Jersey City, N. J.) :	
Fresh frozen beef—	
Wilson	27.88
Swift	27.50
Armour	28.21
Morris	28.90

The foregoing competitive sealed bids requested by Congressman Parker of New Jersey are our complete records covering the period shown, and I submit that an inspection of the figures fully illustrates the competition existing in the sale of our products.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, January 24, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

**STATEMENT OF MR. LOUIS F. SWIFT, PRESIDENT OF SWIFT & CO.,
CHICAGO, ILL.—Resumed.**

The CHAIRMAN. The committee will come to order. Mr. Dillon, I believe you are next in the order of the call, and you may proceed and ask such questions as you may think proper of Mr. Swift.

Mr. DILLON. Mr. Swift, are you a director or stockholder in any of the stockyards or all of them, where you have stockyards?

Mr. SWIFT. That varies. I think I am a director in the St. Joseph stockyards; I believe I am also in the St. Paul. I am not a director in the Fort Worth stockyards.

Mr. DILLON. Your brother is?

Mr. SWIFT. Yes; my brother is.

Mr. DILLON. Either you or your brother or the Swift interests is represented on the directorate board of all the stockyards where you are dealing?

Mr. SWIFT. No, sir; not wholly.

Mr. DILLON. Would you not say substantially all of them? I make my question general.

Mr. SWIFT. Practically; yes, sir.

Mr. DILLON. Now, something has been said about newspaper publications. Are you or your brothers on the directorate board of those publications, or any of them?

Mr. SWIFT. Of the stock papers?

Mr. DILLON. Yes.

Mr. SWIFT. I want to explain about these stock papers at the different stockyards. They seem to be a necessity, the same as the banks and the cattle-loan companies. There is no particular benefit or profit in those newspapers, or stock papers, I will call them. There are just as many that lose money as there are that make money, and we had no desire to be interested in these papers, and we only did it from the point of necessity, and we have gradually sold them out or got rid of them as far as we could.

Mr. DILLON. The point I make about that is that these papers, by reason of your interests being on the board of directors, become responsive to your purposes and objects.

Mr. SWIFT. We are not on the board of directors of any of the stockyard papers. You see, that would be a very small matter.

Mr. DILLON. I understand that.

Mr. SWIFT. And while—

Mr. DILLON. But the Swift brothers are stockholders in numerous publications?

Mr. SWIFT. More or less of them, and in some cases the stockyard owns them; but we do not give it any attention. The policy of the papers or what they print has no attention of ours.

Mr. DILLON. I concede all that; and you have other business to attend to; but the point I make is that the purposes of the paper be-

come interested in your line of business by reason of your connection with the paper.

Mr. SWIFT. But we get rid of these papers as fast as we can. We just sold our entire interest in the St. Paul stockyards paper.

Mr. DILLON. Now, I have a good many questions to ask you, and we will move on as rapidly as possible. You or your brothers are stockholders in town-site development or improvement companies where lots are sold or business conducted in these packing centers?

Mr. SWIFT. There are one or two cases where we have an ownership in a town-site company, and we are represented indirectly in the directorship. Can I explain what a town-site company is?

Mr. DILLON. Yes.

Mr. SWIFT. When we pick up with a stockyards like St. Paul or Fort Worth the local people there say, "Now, here; you folks are going to enlarge this packing house and you will need a lot of men, and there is no place for them to live." So it seems to be a necessity that we go and buy some land and subdivide it and split it up for them and sell them the lots on credit and then build houses for them and sell them the houses on credit.

Mr. DILLON. Are you or your brothers directors or stockholders in any cattle-loan companies at these packing centers?

Mr. SWIFT. We own stock in these cattle-loan companies, the same as we do in the banks. We are not necessarily on the board of directors, but our representatives are.

Mr. DILLON. Are you a director, or are any of your brothers directors or stockholders in any of the Chicago banks?

Mr. SWIFT. I am a director in the National Bank of the Republic at Chicago.

Mr. DILLON. And what other banks in Chicago?

Mr. SWIFT. Myself?

Mr. DILLON. Yes.

Mr. SWIFT. A bank at the stockyards on Halstead Street.

Mr. DILLON. What is the name of it?

Mr. SWIFT. The Stock Yards National Bank, I think. My brother is a director in the Drovers' National Bank, on Halstead Street, just across the street.

Mr. DILLON. Now, just name the banks.

Mr. SWIFT. My brother is a director in the Drovers' National Bank.

Mr. DILLON. What other banks?

Mr. SWIFT. What other banks?

Mr. DILLON. I mean in Chicago.

Mr. VEEDER. What other banks is the brother a director in?

Mr. DILLON. Yes. I am asking about you and also your brother, to show your connection with the banks in Chicago.

Mr. SWIFT. First, I will give you all the banks I am a director in. The National Bank of Republic and the Stock Yards National Bank on Halstead Street. That is two. Now, my brother is a director in the Drovers' National Bank—no; not in the Drovers' National Bank but in the National Live Stock Bank, in the stockyards, and the Fort Dearborn National Bank, downtown, and the Illinois Trust Bank, downtown. I made a mistake before in saying that he is a director in the Drovers' Bank; he is not.

Mr. DILLON. Now, your other brothers?

Mr. SWIFT. No, sir; they are not in any banks.

Mr. DILLON. Now, you have named all the banks in which you or your brothers are directors?

Mr. SWIFT. Yes, sir; so far as I can recall.

Mr. DILLON. Are you stockholders in other banks than those?

Mr. SWIFT. In Chicago?

Mr. DILLON. Yes.

Mr. SWIFT. Here and there we may have a hundred or two hundred shares of stock in different banks, but it amounts to nothing.

Mr. DILLON. Are you directors or stockholders in these banks at the packing centers—I mean at the stockyard centers?

Mr. SWIFT. Not as a rule, because we could not give it attention or attend the meetings; but we have a representation corresponding with the stock that we own. We are represented.

Mr. DILLON. Now, wherever you are dealing in live stock in any of these western cities you establish a stockyards bank?

Mr. SWIFT. As a rule; yes, sir.

Mr. DILLON. And that bank is located right at the stockyards and does not contemplate doing commercial business. Is that right?

Mr. SWIFT. Practically.

Mr. DILLON. Now, these banks are located at the stockyards or formed for the purpose, I take it, of furnishing loans to the feeders of stock and to handle the local business?

Mr. SWIFT. Yes, sir; and they have cattle loan companies as an adjunct, which helps facilitate that matter.

Mr. DILLON. Now, take, for instance, the one at Sioux City, which is near to my place of residence. Do these banks loan direct to farmers who are feeders, or do they hold cattle paper through local banks?

Mr. SWIFT. Both ways. They would probably loan direct to the largest of the feeders, but in the majority of cases, I think, it might come through the local banks.

Mr. DILLON. Those local banks will take chattel mortgages upon the cattle that are being fed, and they will send that chattel paper to the bank located at the shipping center?

Mr. SWIFT. Yes, sir.

Mr. DILLON. And then it is carried by that local bank.

Mr. SWIFT. They have to indorse it, guarantee it, and then they have to go out and sell it to other people. They have not capital enough—

Mr. DILLON. That is just the point.

Mr. SWIFT (continuing). To hold it on hand.

Mr. DILLON. Where do these banks get their money to operate on—do they get it from the commission men and the employees and yourselves, and those interested in the buying of stock. Is that right?

Mr. SWIFT. The first thing they get money from the stockholders when they sell the stock to the stockholders. That gives them the working capital.

Mr. DILLON. Now, where do they get their deposits?

Mr. SWIFT. From the commission men and business houses in the locality of their bank.

Mr. DILLON. Now, take a feeder, for instance, in my country in South Dakota, and he requires a large sum of money to feed his

stock and to fatten them for the market, a chattel mortgage is upon his stock; does not that place in the hands of this bank the power to force shipments when they want them?

Mr. SWIFT. It does not.

Mr. DILLON. Suppose that paper becomes due or that chattel mortgage becomes due, have you not the right to say that you will not extend it?

Mr. SWIFT. Naturally; that is true of all notes that become due.

Mr. DILLON. Therefore you say, "I will not extend your paper. You must pay it or dispose of your stock."

Mr. SWIFT. Why would we treat a customer in that way if he wanted us to carry him?

Mr. DILLON. I am not going into that question.

Mr. SWIFT. Yes; but—

Mr. DILLON (interposing). I am simply going into the question of power which is in the possession of these stockyards banks.

Mr. SWIFT. Yes; but, Mr. Dillon, when a man made out his note and his chattel mortgage, he arranged the date at the time he wants to market that live stock, and he would always have an option of a few weeks, and that is a part of the arrangement, to have the stuff fed and ready to go to the market at a certain date. That is all in his plan.

Mr. DILLON. Now, Mr. Swift, I am not assuming, and neither do I personally think that these banks would do these things, but I am reaching the question of power if there were a disposition to do it.

Mr. SWIFT. In the first place, this mortgage or the note does not provide any destination that these cattle have to be marketed in. They do not have to go to any certain stockyards. They can go anywhere.

Mr. DILLON. Suppose the cattle reach the Sioux City market with a mortgage upon them held by the Stockyards National Bank of Sioux City, is it not in the power of that bank to prevent a shipment to another market?

Mr. SWIFT. They have never exercised anything of that kind.

Mr. DILLON. But they have that power.

Mr. VEEDER. Power to prevent reshipment from Sioux City?

Mr. DILLON. Yes; to prevent reshipment.

Mr. SWIFT. No, sir; the control of the cattle is in the owner's hands at all times.

Mr. DILLON. Yes; but he could not leave Sioux City with those cattle without the consent of the holder of his paper, could he?

Mr. SWIFT. They always give that consent.

Mr. DILLON. I am not inquiring whether they would give it or not, but I am reaching the question of power of that Stockyards National Bank of Sioux City to prevent the shipment of those cattle on to Kansas City or to Omaha.

Mr. SWIFT. In the first place, Mr. Dillon, this is not the only bank in Sioux City. There may be eight or ten banks there. Now, if the bank should demand payment on the note, the owner of these cattle would have an opportunity to have the loan taken up by one of these other banks in Sioux City, if he did not want to ship.

Mr. DILLON. Yes; but those banks do not deal in cattle paper.

Mr. SWIFT. Oh, yes; they do, most of them.

Mr. DILLON. Possibly, they do. How many subsidiary companies have you?

Mr. SWIFT. Swift & Co.?

Mr. DILLON. Yes.

Mr. SWIFT. I do not know. I have not got the number.

Mr. DILLON. Can you approximate it?

Mr. VEEDER. I would say six or eight important ones and quite a number of minor ones.

Mr. SWIFT. Is that satisfactory?

Mr. DILLON. I did not hear that.

Mr. SWIFT. There are six or eight important ones and perhaps more of the smaller or minor ones.

Mr. DILLON. Yesterday you said, if I understood you correctly, that the Swift family did not own the controlling stock in this corporation.

Mr. SWIFT. That is right.

Mr. DILLON. Do you mean by that answer to exclude the treasury stock that is outstanding which is within your control?

Mr. SWIFT. No; that is not outstanding.

Mr. DILLON. It is in the treasury?

Mr. SWIFT. Yes, sir.

Mr. DILLON. In making that statement, you do not take that into consideration?

Mr. SWIFT. I do not figure that. I figure that as being in the treasury and not outstanding.

Mr. DILLON. Now, will you say that the Swift brothers and their bank connections do not control the stock of the Swift Packing Co., in Chicago?

Mr. SWIFT. I do not know what you mean by control. We do not own a majority.

Mr. DILLON. Yes.

Mr. SWIFT. If our friends and acquaintanceships of 20 or 30 years' standing, if they follow us and vote with us, if you call that a control, of course—

Mr. DILLON (interposing). You do not intend that this plant shall get away from you, and therefore you and your friends control the stock. That is the reason for my question, and I take that to be true.

Mr. SWIFT. We do not own a majority. The Swift family, brothers and sisters and mothers and children, do not own a majority of the stock. Now, as to who our friends are, and how long they are going to vote with us and keep us in office and all that, I do not know about the future. I can only judge about the past.

Mr. DILLON. They have been rather loyal in the past?

Mr. SWIFT. Pretty good; yes, sir.

Mr. DILLON. Now, in this statement which was presented yesterday, that does not include your South American holdings and it does not include your foreign holdings, does it?

Mr. SWIFT. The business of Swift & Co. in South America and Australia has been separated from Swift & Co. Everything else that Swift & Co. has got is in this statement.

Mr. DILLON. The Australian business is under a separate corporation, is it?

Mr. SWIFT. The Australian business and all the business in South America is in a company called Swift International, and that has been segregated from Swift & Co. in the same manner that I explained yesterday about Libby.

Mr. DILLON. So, your activities are confined to Swift & Co. in the United States, with its foreign shipments from the United States; and, in addition to that, the International Co. takes in Australia and South America; am I right in that statement?

Mr. SWIFT. I would like to hear that repeated.

(The stenographer read the pending question, as follows:)

Mr. DILLON. So, your activities are confined to Swift & Co. in the United States, with its foreign shipments from the United States; and, in addition to that, the International Co. takes in Australia and South America; am I right in that statement?

Mr. SWIFT. My activities are all confined to this parent company of Swift & Co., of Illinois. Now, I am a stockholder in the Swift International.

Mr. DILLON. Now, as to the Swift International, do you and your brothers and your friends hold the controlling interest in the Swift International? That will make it short.

Mr. SWIFT. The Swift family do not own a majority of the stock of the Swift International.

Mr. DILLON. Now, how about your friends?

Mr. SWIFT. As to who our friends are and how many there are and how long they are going to be friends, that is all problematical.

Mr. DILLON. Well, the conditions there are about the same as with the United States corporation, are they not?

Mr. SWIFT. Oh, the United States corporation used to own the Swift International, and we segregated this Australian and South American business among the same stockholders.

Mr. DILLON. Among the same stockholders?

Mr. SWIFT. Yes.

Mr. DILLON. In this country?

Mr. SWIFT. They were in the beginning. It is changing more or less.

Mr. DILLON. Now, I will ask you for a direct answer to this question, whether the Swift family and their friends do not control the policies of the Swift International?

Mr. SWIFT. Practically, yes; up to the present time.

Mr. DILLON. How does the business that is done by the Swift International compare in quantity with the United States corporation?

Mr. SWIFT. My assistant here has suggested an addition to the last answer. Can I have that incorporated?

Mr. DILLON. Yes; sure.

Mr. SWIFT. Through their ownership in the stock as stockholders and their power to elect the directors and officers of the company.

Mr. VEEDER. No; the answer should be through the power of the stockholders of the company, all of them, through the fact that the stockholders of the company have continued to elect members of the Swift family as managing officers of the company, they have controlled the activities of the company.

Mr. DILLON. I will ask to have the question read.

(The stenographer read as follows:)

Mr. DILLON. How does the business that is done by the Swift International compare in quantity with the United States corporation?

Mr. SWIFT. It is smaller.

Mr. DILLON. How much smaller?

Mr. SWIFT. Somewhere around 15 per cent as much.

Mr. DILLON. Armour & Co. also are doing business in a like manner in Australia and South America?

Mr. SWIFT. I do not think they have any plant in Australia. They have a plant in South America.

Mr. DILLON. Do you hold any stock in the Armour plant in South America?

Mr. SWIFT. Not a dollar.

Mr. DILLON. Do they hold any in yours?

Mr. SWIFT. Not a dollar that I know of. If they have gone on the market and bought stock—they are not stockholders of record, and I know nothing about it.

Mr. DILLON. Do any of the remaining five packing companies have companies in South America or Australia?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other companies?

Mr. SWIFT. I think all of them except Cudahy. I do not think he has any.

Mr. DILLON. Do you have any conferences with these other four packers about the policy of your business in South America or Australia?

Mr. SWIFT. No, sir.

Mr. DILLON. It is not important enough to have any conferences with them?

Mr. SWIFT. We had conferences with them two or three years ago about freight space and things like that, but recently, since the beginning of the war between England and Germany, that freight space has all been taken out of our hands, so there have been no conferences in that respect, because that is all handled by the English Government.

Mr. DILLON. Now, I notice from your financial statement that your distributive sales, domestic and foreign, were over \$1,200,000,000, and you also state that "the effect of these high prices is shown by our payments of \$682,000,000 to live-stock raisers during 1918." Now, you require a great deal of money, I take it, to operate your South American plants or holdings and your Australian holdings and your corporate interests in the United States?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Have you any corporate interest in any packing institutions in England, France, or any foreign country other than those named?

Mr. SWIFT. Only inasmuch as we have markets—distributive markets—in England. They belong to Swift & Co., the parent corporation.

Mr. DILLON. The parent company owns those?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Now, you have to borrow large sums of money, I take it, from time to time? By that I mean the Swift holdings.

Mr. SWIFT. Yes, sir. I would like to tell you how much we borrow.

Mr. DILLON. Yes; I would like to get that.

Mr. SWIFT. At the time this statement was made out, November 2, 1918, it was \$120,000,000.

Mr. DILLON. How much?

Mr. SWIFT. A hundred and twenty million and odd dollars.

Mr. DILLON. What would you say the yearly average, in substantial or approximate figures, of your borrowed capital would be?

Mr. SWIFT. For 5 or 10 years?

Mr. DILLON. That is, outside of your bond issues.

Mr. SWIFT. For 5 or 10 years?

Mr. DILLON. Oh, no; during the last two or three years. I want that very general.

Mr. SWIFT. Oh, it might be seventy-five or eighty million dollars.

Mr. MONTAGUE. Per annum?

Mr. SWIFT. The average; yes, sir.

Mr. MONTAGUE. Per annum?

Mr. SWIFT. The average; yes.

Mr. DILLON. Now, where do you get that borrowed money?

Mr. SWIFT. We issue notes signed by the treasurer and the president of the company and we sell them on the street to anybody who will buy them.

Mr. DILLON. I mean by that, you sell them at the banks, do you not?

Mr. SWIFT. Not necessarily. There are brokers who handle them. We have to go through brokers or get it in any way we can get it.

Mr. DILLON. In any way you can get it?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Now, take the National Bank of Republic in Chicago; you are a director in that bank?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Do you know what other packers are interested in that bank?

Mr. SWIFT. I do not think there are any others, with the possible exception of Mr. Joseph Cudahy. He is a director, but he is not considered as being in the packing business. He has resigned from the packing business and runs the Sinclair Oil Co. as vice president.

Mr. DILLON. Now, the South Side State Bank of Chicago, you are interested there and upon the directorate?

Mr. SWIFT. I do not think so.

Mr. DILLON. Nor as a stockholder?

Mr. SWIFT. I do not think so. I do not recall that bank.

Mr. DILLON. The Live Stock Exchange National; you are interested in that?

Mr. SWIFT. Yes.

Mr. DILLON. Now, what other packer is interested in that bank?

Mr. SWIFT. I think Mr. Armour and Mr. Morris have stock in that bank.

Mr. DILLON. Now, take the Stock Yards Savings Bank of Chicago, you are interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that bank?

Mr. SWIFT. I do not know.

Mr. DILLON. To refresh your recollection, I will ask you if you do not know whether Armour and Morris are also interested in that bank?

Mr. SWIFT. I presume they are. These packers have to take stock in these banks when they are new and when they start, because nobody else will take it.

Mr. DILLON. Now, I will take the Stock Yards National Bank at Fort Worth; you are interested in that bank?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that bank?

Mr. SWIFT. Mr. Armour.

Mr. DILLON. I will now take the Live Stock National Bank of South Omaha; you are interested in that bank?

Mr. SWIFT. I think not.

Mr. DILLON. Is that your best judgment?

Mr. SWIFT. Yes, sir; as far as I know, we have no stock in the Omaha bank or stock in the Stock Yards, either one.

Mr. DILLON. Now, we will take the one at East St. Louis, the Stock Yards National Bank; are you interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that bank?

Mr. SWIFT. Mr. Morris is interested in that.

Mr. DILLON. Is not Mr. Wilson also?

Mr. SWIFT. Not that I know of; but Mr. Wilson used to be vice president of Morris & Co., and he may have become an owner of stock in that manner.

Mr. DILLON. Now, the Drovers National Bank of Kansas City; are you interested in that?

Mr. SWIFT. I think not.

Mr. DILLON. What packers are—do you know?

Mr. SWIFT. I think that is Mr. Morris's arrangement.

Mr. DILLON. Take the Denver stockyards at Denver; are you interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in it?

Mr. SWIFT. Mr. Morris and Mr. Armour. Can I tell you something about that bank?

Mr. DILLON. Well, if you would like to. I do not want to shut you off on anything, although I am in a hurry, because I have a great many other questions and I do not want to take up all the time.

Mr. SWIFT. When that bank was started there would not anybody put any money in the bank except these packers, and this bank has been working along trying to finance the feeders in the neighborhood so as to maintain the market, and they have been rather unfortunate. They got in with two or three feeders who were unreliable and they did not do the square thing and that bank has practically failed, and the stockholders had to come to the rescue and they have been assessed \$200 a share to put the bank on its feet and to reestablish it as a sound institution.

Mr. DILLON. Now, the Stockyards National Bank, at South St. Paul, are you interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that bank?

Mr. SWIFT. Well, there was not any. We lugged it alone for 8 or 10 years, much to our sorrow, but since Armour & Co. have commenced constructing a plant at St. Paul he has become a stockholder in that bank.

Mr. DILLON. Now, the Live Stock State Bank at Portland, are you interested in that.

Mr. SWIFT. Oh, yes; I started it.

Mr. DILLON. What other packer is interested in that?

Mr. SWIFT. I do not think there is any other that I know of or if my memory is correct. I offered it to the rest of them, and they would not take it.

Mr. DILLON. You have offered it to them?

Mr. SWIFT. To Mr. Armour and Mr. Morris, and they would not take it; they laughed at me.

Mr. DILLON. They cast that burden upon you to carry, then.

Mr. SWIFT. Yes, sir.

Mr. DILLON. Now, the St. Joseph Stockyards; are you interested in that?

Mr. SWIFT. The Stock Yards Bank?

Mr. DILLON. Yes.

Mr. SWIFT. Yes, sir; I started it.

Mr. DILLON. What other packer is interested in that?

Mr. SWIFT. Mr. Morris was in at the start of the bank. It was arranged at the same time we started the packing house.

Mr. DILLON. The Irving National Bank of New York; are you interested in that?

Mr. SWIFT. I own some stock in that. I have been trying to sell it for two or three years.

Mr. DILLON. What other packer is interested in that bank?

Mr. SWIFT. I do not know of any other, except my brother.

Mr. DILLON. You have no knowledge that Armour is interested in it?

Mr. SWIFT. I think he is not.

Mr. DILLON. Then, there is the Independent Salt Co., in Kansas.

Mr. SWIFT. Yes, sir.

Mr. DILLON. Are you interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that?

Mr. SWIFT. Swift & Co. own 50 per cent and Armour & Co. 50 per cent, as I understand it. I want to ask our accountant if that is correct.

Mr. CHAPLAIN. Yes.

Mr. SWIFT. I want to explain about that. We had trouble getting salt, and we would have to stop our killing gang because we could not get salt to keep our cellars going, and so our purchasing agent came along and said, "Here, we have got to have a salt company or go out of business," and I said, "All right: we will get a salt company." He said, "But our volume is not enough to establish a salt company, but it is half enough." I said, "Well, see if Armour will go in with us." He went over to Mr. Armour, and Armour had had the same trouble about salt, and he said, "Yes; I will go in with you." So, Armour and Swift get at least 90 per cent of the output of this salt factory. It is merely a necessity to carry on the rest of the business.

Mr. DILLON: Now, the Mechanical Manufacturing Co.—

Mr. SWIFT (interposing). Yes, sir.

Mr. DILLON. What other packer is interested in that company?

Mr. SWIFT. I do not know of any. That is what they call the bumping-post company. Can I explain about that?

Mr. DILLON. Yes. Make it as brief as you can.

Mr. SWIFT. Yes. That was established by my father to protect the interests of a master mechanic we had by the name of Ellis who discovered the patent for these bumping posts, and my father organized this company and started it going. Since then they have got to making rendering tanks and scales and trucks, and they will sell that to anybody who will buy it, and their principal customers are the small packers, but all the packers buy of them, and Swift & Co. buy of them when they can buy of them cheaper than they can elsewhere.

The CHAIRMAN. Did we not go over this whole matter about these bumping posts. Has he not already gone over it in our hearing, Mr. Swift?

Mr. SWIFT. Yes; it is the same thing.

The CHAIRMAN. Then I do not see any use of repeating it unless you want to ask something that has not been brought out before.

Mr. DILLON. No; the only thing I am asking about is the financial side of it. My whole examination runs on the financial side.

The National Box Co., are you interested in that?

Mr. SWIFT. Sure.

Mr. DILLON. What other packer is interested in that company?

Mr. SWIFT. Morris. We could not get any boxes. The plant was shut down all the time, so we said, "We will have to go and get a box factory or else we can not run this plant." Now, I want to explain, Mr. Dillon, that it does not make any difference what prices are charged for these boxes from the box factory to Swift & Co. or to Morris & Co. If they charge a high price the box factory will show a big profit, but that does not amount to anything. They could give the boxes free and show a big loss, and it would amount to the same thing. It is an adjunct of Swift & Co.'s business; but our business does not justify a whole box factory for ourselves. It is only about half enough volume, so Morris comes along and between the two of us, with the few that we sell outside, we make a fair volume for the factory.

Mr. DILLON. Now, the Southwestern Mechanical Co. at Fort Worth, Tex.

Mr. SWIFT. Yes.

Mr. DILLON. Are you interested in that?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested in that?

Mr. SWIFT. Armour & Co. That is nothing but a joint car shop. That is between the two plants and Fort Worth, and neither Swift nor Armour have repairs for a car shop sufficient to justify each one owning a shop, so we have this joint interest to take care of the repairing of our cars in this plant, and that is their principal business and their only excuse for organization.

Mr. DILLON. Now, there is a town-site company at Fort Worth.

Mr. SWIFT. Sure.

Mr. DILLON. You are interested in that?

Mr. SWIFT. Sure.

Mr. DILLON. And what other packer is interested with you?

Mr. SWIFT. Armour. We had to do that, otherwise the men working for us in our plants would have no place to live.

Mr. DILLON. Now, likewise at Kansas City there is a development company there?

Mr. SWIFT. Yes, sir.

Mr. DILLON. What other packer is interested with you?

Mr. SWIFT. There is a company in Kansas City and the name we call it by is the Clay County Co. That is a matter that was left by my father's estate, and I think he made an investment there some 20 years ago. He got into that. It took him about one day to get in, and we have been trying ever since to get out.

Mr. DILLON. Now, there is a land development company there also?

Mr. SWIFT. That is the same thing.

Mr. DILLON. There is a land company in Kansas City?

Mr. SWIFT. That was Kansas City you were talking about.

Mr. DILLON. Now, there is a cattle loan company in Denver. Are you interested in that?

Mr. SWIFT. Yes; that is the one that failed, and where we had to put in \$200 a share.

Mr. DILLON. What other packer is interested with you in that cattle-loan company?

Mr. SWIFT. Armour and Morris.

Mr. DILLON. At Fort Worth there is a cattle-loan company; what packer is interested in that?

Mr. SWIFT. That is the same thing as the bank. It is Armour.

Mr. DILLON. That is, Armour and Swift?

Mr. SWIFT. Yes.

Mr. DILLON. Now, at St. Joseph, there is a cattle-loan company.

Mr. SWIFT. These cattle-loan companies are all the same as the banks. It is the same thing.

Mr. DILLON. You say that the cattle-loan company is the bank?

Mr. SWIFT. No; but they had the same stockholders when they began.

Mr. DILLON. But they are independent concerns?

Mr. SWIFT. Yes; but they are run by joint management of the bank and the cattle-loan company.

Mr. DILLON. There is a cattle-loan company at San Francisco?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Who is interested with you in that?

Mr. SWIFT. Nobody. I tried to get the others in and they laughed at me.

Mr. DILLON. They would not go into it?

Mr. SWIFT. They would not.

Mr. DILLON. At St. Paul there is a cattle-loan company?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Who is interested with you in that?

Mr. SWIFT. There was nobody, but when Armour started the plant at St. Paul he became a stockholder.

Mr. DILLON. How about St. Louis—there is a cattle-loan company there?

Mr. SWIFT. That is the same as the bank.

Mr. DILLON. Now, there is a rendering company at Sioux City?

Mr. SWIFT. Yes, sir.

Mr. DILLON. Who is interested with you in that?

Mr. SWIFT. Mr. Tilden, when he was alive, had some stock. That is owned now by the Tilden estate, and there are various local people around there, Mr. Magivny—

Mr. DILLON (interposing). Mr. Swift, when you had to borrow money, did you ever go to these banks I have mentioned, or any bank, and buy stock in the bank for the purpose of securing loans upon the stock.

Mr. SWIFT. Never. You could not do it that way. We get more loans from the banks we do not have any stock in in proportion.

Mr. DILLON. Have you ever followed the practice of taking the stock you have in a bank and taking that stock to another bank and getting a loan upon it? Have you ever done that?

Mr. SWIFT. Very seldom. I have to borrow a good deal of money, and when I have to borrow a good deal of money I have put up any kind of collateral I have got to spare that the people will take, and sometimes, in an extreme case, it might be bank stock, but not to any extent, because they do not want bank stock for collateral.

Mr. DILLON. Then, have you ever taken that collateral and gone to another bank and gotten another loan upon that?

Mr. SWIFT. I do not think so; but we might put out a note with a broker with bank stock for collateral in an extreme case, or we might take this note to another bank direct, but it does not amount to much. Most all the bank stock I have got, or that my brother has got, is locked up in a safe in Chicago. We do not put it out for collateral, except there might be an exception. And I want to speak about this bank ownership. They have got the Fort Dearborn National Bank down on this list as a Swift bank. Now, my brother is a director in that bank, but the entire Swift family only owns 2,449 shares. Now, that is about 8 per cent of the capital stock of that bank, and that is a bigger proportion than we own of any other bank in Chicago; and when they talk about our controlling or dominating a bank just because we have got a few shares or because we happen to be one on a board of directors of a dozen people, it is all nonsense, Mr. Dillon.

Mr. DILLON. You have heard of this system of pyramiding for control of banks, I presume, and other industries.

Mr. SWIFT. I have never heard anything good come of anything like that.

Mr. DILLON. For instance, to illustrate what I mean, let me put it in this way: A person buys for cash stock in one bank, say, for \$100,000. He gets the stock and then he takes that stock and makes a loan at its book value and gets back \$100,000, and then he takes this cash and buys stock in another bank and gets the stock—

Mr. SWIFT (interposing). He would not get anywhere that way.

Mr. DILLON (continuing). And then he takes that stock and makes a loan again getting \$100,000, and with this cash he buys stock in another bank, and when he gets the stock he makes another loan and continues the same process in an endless chain. You have heard of that system?

Mr. SWIFT. Yes; I have heard about it. That is the same thing as a man taking \$1,000 of deposits in one bank and kiting checks around

with about 15 or 20 banks on that \$1,000. He comes to grief sooner or later.

Mr. DILLON. The banks in the country are using this pyramiding system quite extensively nowadays, are they not?

Mr. SWIFT. I do not know anything about that.

Mr. DILLON. You have never done that even in a small way?

Mr. SWIFT. Except as an exception.

Mr. DILLON. Now, what were the exceptions.

Mr. SWIFT. I know of none to my knowledge, but there might be.

Mr. DILLON. Do you know of any of these other cattle companies doing anything along those lines and thus getting control of these financial institutions?

Mr. SWIFT. Cattle companies?

Mr. DILLON. Yes.

Mr. SWIFT. Getting control of any other institutions?

Mr. DILLON. Financial institutions.

Mr. SWIFT. I never heard of anything of that kind.

Mr. DILLON. You never heard of anything of that kind?

Mr. SWIFT. Even the Federal Trade Commission do not claim that.

The CHAIRMAN. I was just going to say that you are inquiring about things that have not been charged or brought up at all.

Mr. SWIFT. No.

Mr. DILLON. Just one or two more questions.

The CHAIRMAN. You have consumed already about 45 minutes.

Mr. DILLON. I am a good deal like the packers, Mr. Chairman. I like to have my share of the time. They want their share of the live stock and I want my share of the time.

Mr. SWIFT, are you acquainted with an attorney named Cotton?

Mr. SWIFT. Mr. Cotton?

Mr. DILLON. Yes.

Mr. SWIFT. Yes, sir.

Mr. DILLON. Was he at any time employed by the packers?

Mr. SWIFT. Not that I know of.

Mr. DILLON. Or by any of them separately or independently?

Mr. SWIFT. Not that I know of.

Mr. DILLON. Do you know where he is working now?

Mr. SWIFT. I think he is with the Food Administration.

Mr. DILLON. That is all.

Mr. BARKLEY. Mr. Swift, what is the turnover of your invested money in the packing business per year? How many times does your capital turn over?

Mr. SWIFT. I want to ask our accountant, Mr. Chaplain, who is here. [After a pause.] He says three and a third times. I want to ask him also how he figures that turnover being \$1,200,000? How do you figure that?

Mr. CHAPLAIN. I have not got the figures in my head, but I know that three and a third times is the correct figure.

Mr. SWIFT. In the year.

Mr. BARKLEY. If your capital employed is only \$248,000,000 and the amount of your business amounts to \$1,200,000,000, that would mean a turnover of more than three and a third, would it not?

Mr. CHAPLAIN. We use more money than our capital. We borrow money.

Mr. BARKLEY. You think that three and a third times is the average?

Mr. CHAPLAIN. That is the correct figure.

Mr. BARKLEY. I notice in your financial statement here that your earnings were \$18,786,000, which is 7.57 per cent of the amount of money you had employed in the business, \$248,000,000; and that your sales were \$923,000,000, which was a percentage of 2.04 on the amount of capital employed.

Mr. SWIFT. You are reading now about the fresh and cured meat and by-products department. That is fresh and cured meat, and there is nothing else in there.

Mr. BARKLEY. I am reading it as it appears here.

Mr. SWIFT. Yes.

Mr. BARKLEY. Then your statement below that, as to other business, aside from your fresh meat department, I presume, shows earnings from departments and investments—what do you include in “departments” and “investments”?

Mr. SWIFT. Can I have Mr. Chaplain, our accountant, answer that? I can not keep track of all these details.

Mr. BARKLEY. If he wants to suggest to you, I have no objection. I do not mean everything, but approximately.

Mr. SWIFT. This first item you read there, where it says “note” on the statement, that is only fresh meat; that is fresh meat and meat of all kinds, as it says.

Mr. BARKLEY. Yes.

Mr. SWIFT. Products from the slaughter of cattle, calves, sheep, and hogs. Now, those are food products. Now, that was under control and limitation of profit by the Food Administration. They had no authority to take control over other things that the packer makes, like a soap factory or a glue factory or the tanning of hides or anything like that, and those are the items that you refer to.

Mr. BARKLEY. In the Food Administration regulations, where you are not permitted to make exceeding 9 per cent of the capital employed and 2½ per cent on the sales, did they authorize you to deduct Federal taxes as a part of your running expenses in estimating that percentage?

Mr. SWIFT. That is not deducted in that tabulation.

Mr. BARKLEY. It is not deducted?

Mr. SWIFT. No, sir; that comes out of the other.

Mr. BARKLEY. It is deducted below.

Mr. SWIFT. Yes.

Mr. BARKLEY. Are you a stockholder—I believe you say you are a stockholder in the stockyards at Chicago?

Mr. SWIFT. Not a dollar.

Mr. BARKLEY. You are not?

Mr. SWIFT. No, sir.

Mr. BARKLEY. Are you a stockholder in the Stock Yards Railroad Co. that operates the railroad within the stockyards?

Mr. SWIFT. Not a dollar.

Mr. BARKLEY. Do you know who are the stockholders of that concern?

Mr. SWIFT. I do not know anything about it; only what I have seen in the paper.

Mr. BARKLEY. Have you ever been—I mean Swift & Co.—a stockholder in the stockyards of Chicago?

Mr. SWIFT. Never.

Mr. BARKLEY. What was the amount you gave yesterday as the amount expended each year for advertising?

Mr. SWIFT. \$1,700,000. That was to contradict the statement that has gone abroad that we were spending \$12,000,000.

Mr. BARKLEY. And that was for the year 1918?

Mr. SWIFT. Yes, sir.

Mr. BARKLEY. What was it for 1917?

Mr. SWIFT. I could only estimate that.

Mr. BARKLEY. Well.

Mr. SWIFT. About half that amount; maybe.

Mr. BARKLEY. What was the occasion for doubling the amount of your advertisement for 1918?

Mr. SWIFT. Well, it is on account of all this propaganda strated against us by the Federal Trade Commission. The publicity that they put out put us in such a light and such a condition before the public that it made a sort scapegoat out of us.

Mr. BARKLEY. Then you spent about eight or nine hundred thousand dollars in 1918 for the purpose of denying what the Federal Trade Commission said about you?

Mr. SWIFT. Not wholly. You see, that covers what we call our product advertising. We have pictures of hams and bacon and lard in the papers, and that is all included.

Mr. BARKLEY. I understand that, but you said you doubled your advertising expenses in 1918 over 1917 as a result of the Federal Trade Commission's propaganda.

Mr. SWIFT. That was partially it. We would probably have done part of that anyhow. We have had a plan of publicity advertising before the directors for a good while—even before this question came up—and we were considering the matter, but this increase in expenditure has had a bearing on the lines you suggest, but this only comes to 15.100 of 1 per cent on our sales.

Mr. BARKLEY. I understand that.

Mr. SWIFT. Now, the general average throughout the United States of commercial companies—they concede an expenditure of 2 or 3 per cent on their sales as being a fair expense, so you see how much below that we are ever now.

Mr. BARKLEY. Admitting all that, I am simply trying to get at the figures. Can you estimate your advertising expenses for 1916?

Mr. SWIFT. They must have been about the same as in 1917.

Mr. BARKLEY. So that you were not increasing your advertising expenses very much one year over the previous year until the Federal Trade Commission came out with this statement?

Mr. SWIFT. It has been a gradual increase for a few years, four or five years, and that is natural with the volume of business.

Mr. BARKLEY. How much of the increase of 1918 over 1917 would you say was a natural increase and not due to propaganda?

Mr. SWIFT. I should think half of it.

Mr. BARKLEY. So that it would be a conservative estimate to say that about \$400,000 of this expense for advertising in 1918 was due to the Federal Trade Commission's public statements.

Mr. SWIFT. That might be, but you understand our standing with the community and before the public had been hurt. It had been affected and we found it necessary to take up this publicity to put ourselves right with the public, so as to keep on with the sale of our goods.

Mr. BARKLEY. The statements of the Federal Trade Commission concerning Swift & Co. or any of these packers did not affect the quality of the product, did they?

Mr. SWIFT. It affected the demand from the public. It developed an antagonistic attitude on the part of our customers that interfered with our marketing processes.

Mr. BARKLEY. Their statements were mostly concerned with the methods of doing business by these various concerns and not with the character of the meat; is not that true?

Mr. SWIFT. That is all right, but in order to cultivate a preference in the demand, we have to set ourselves right with the public.

Mr. BARKLEY. Was there any consultation or conference among you and Armour and Morris and these other big packers, so-called, with reference to this advertising campaign that you were to put out?

Mr. SWIFT. There was not, except in the case of one circular. There was one circular put out to which the names of the five packers were signed, and that was the result of a conference on the subject, and it was decided that it was necessary to do that to protect the packing industry as a whole. That was not continued or any policy of joint advertising.

Mr. BARKLEY. There was an agreement between you packers that it was necessary to do some advertising?

Mr. SWIFT. No; there was not.

Mr. BARKLEY. Was there any talk among you to the effect that you had better get busy and advertise somewhat in the newspapers in order to counteract the effect of the Federal Trade Commission publicity?

Mr. SWIFT. No, sir. We may have said we were going to do that, but they would know that without being told.

Mr. BARKLEY. Of course, each packer did its own advertising, but what I am trying to find out is whether there were conferences among the packers as to the advisability of pursuing that course.

Mr. VEEDER. May I refresh Mr. Swift's memory for just a moment? About a year before that there was a conference at which it was discussed, just after this propaganda started, and it was dropped because they could not come to any agreement about that.

Mr. SWIFT. Yes; I remember that. That must have been two or three years ago, now. We were going to take up the subject of publicity and we were going to do it jointly, and one or two of the firms were in favor of doing it in that way and tried to get the other firms to come along, but they would not, and that was dropped.

Mr. BARKLEY. Did you make any effort or did your company make any effort to secure the services of the Associated Press in carrying the statements of Swift & Co.?

Mr. SWIFT. Not that I know of. Of course, if we have a statement to put out, we will give it to the Associated Press and to all the channels there are, and sometimes they take it and sometimes they throw it out.

Mr. BARKLEY. When Mr. Mayer, who is the attorney for Armour, went from Chicago to New York to see the president of the Associated Press to get him to make or make himself some sort of arrangement with the Associated Press to use its channels of news distribution for the dissemination of the packers' side of the question, did he represent Swift & Co. in that mission?

Mr. SWIFT. Oh, not at all.

Mr. BARKLEY. He did not?

Mr. SWIFT. No.

Mr. BARKLEY. You have a branch house in Washington?

Mr. SWIFT. Right here?

Mr. BARKLEY. Yes.

Mr. SWIFT. Yes. Down at Center Market.

Mr. BARKLEY. How many representatives do you have here in Washington in that branch house?

Mr. SWIFT. Well, there is just the manager, his assistants, and employees, and then there is an office manager and his employees and assistants.

Mr. BARKLEY. They are all supposed to carry on the meat business representing your company?

Mr. SWIFT. Yes; but then they also sell soap—

Mr. BARKLEY (interposing). I understand that, but they are not supposed to do anything else for you except sell meat.

Mr. SWIFT. Well, if we should ask them—if we had an errand for them to do, if we ask them to take an advertisement to a newspaper or anything of that sort they would do it. They do anything we ask them to do.

Mr. BARKLEY. That is in connection with your branch house, selling meat or whatever you have to sell. Do you keep anybody else employed in Washington besides men who are supposed to sell meat or carry on the business of your branch house?

Mr. SWIFT. Yes, sir; we have an office up the street here which is in charge of Mr. Shaw, from Chicago.

Mr. BARKLEY. Mr. Shaw?

Mr. SWIFT. Yes.

Mr. BARKLEY. Where is that office located?

Mr. SWIFT. In the Colorado Building.

Mr. BARKLEY. What are Mr. Shaw's functions or what are his duties?

Mr. SWIFT. He runs around among the different departments. The way things have been we could not repair our building or maintain it or keep it up without consent from Washington. We could not ship any goods without a shipping order, and we could not sell anything without an order, and we could not get paid for it without an order, and he is running around from one place to another helping us out.

Mr. BARKLEY. That has just been since the war?

Mr. SWIFT. It has been established for two or three years.

Mr. BARKLEY. Was it established before the United States got into the war?

Mr. VEEDER. It was established after 1914.

Mr. BARKLEY. There was no occasion for you to get permission of the Government to build buildings or secure shipments of stuff until after April 6, 1917, was there?

Mr. SWIFT. But there were a good many things in relation to the Government business that we had to have a representative on the ground for.

Mr. BARKLEY. What was the nature of those things?

Mr. VEEDER. The Government regulated shipments abroad before we entered the war.

Mr. BARKLEY. How is that?

Mr. VEEDER. We had to get consent and licenses before this country went into the war to make shipments abroad.

Mr. SWIFT. You see there was an embargo against the neutral countries and they would only let them have shipments enough to compare with their normal demands, and every time an order came in we had to get it—

Mr. BARKLEY (interposing). There was no embargo against shipments of food from this country to England or France, was there?

Mr. SWIFT. I am speaking of the neutral countries like Sweden and Norway, and even shipping to England had plenty of complications.

Mr. VEEDER. There were questions of labels on export shipments and inspection and a great many questions of that character.

Mr. BARKLEY. Did you have anybody else employed in Washington besides those who are in the Colorado Building?

Mr. SWIFT. I think so. Besides Mr. Shaw, or this office, do you mean?

Mr. BARKLEY. Yes.

Mr. SWIFT. Well, there were some other men doing the same thing before he came down here.

Mr. BARKLEY. Who were they—do you recall their names?

Mr. VEEDER. A man by the name of Hamilton had run whatever errands we had in Washington.

Mr. BARKLEY. What was the nature of some of those errands?

Mr. SWIFT. The same character that Mr. Shaw continued, except that prior to the beginning of the European war there was not so much of it. We might have to send over to the passport department or we might have to send over to the inspection bureau of the B. A. I.—the Bureau of Animal Industry—but there was not very much of that. Hamilton had his own office. We had no office and we would use him occasionally, as we might have an errand to do at some one of the departments, such as getting a passport or consulting with the Bureau of Animal Industry with reference to export matters or marine insurance, or anything of that nature; but it was very small. The volume of that business was very small until the European war.

Mr. BARKLEY. Do you recall, Mr. Swift, what salary you pay or did pay him; he is still your representative in that capacity? I mean Mr. Shaw.

Mr. SWIFT. Yes.

Mr. BARKLEY. What is his compensation?

Mr. SWIFT. I will inquire of Mr. Chaplain. [After a pause.] It is somewhere around \$5,000 a year.

Mr. BARKLEY. How long have you maintained a representative in Washington to visit the departments and look after these details with reference to the shipments of your business?

Mr. SWIFT. That has been going on more or less for six or eight years.

Mr. BARKLEY. Have you paid any of these men who represent you in that capacity more than \$5,000 a year?

Mr. SWIFT. Not that I know of.

Mr. BARKLEY. How long has Mr. Thomas Logan been employed by you in the city of Washington?

Mr. SWIFT. I do not know the length of time. I will inquire. I will make a guess that it is two or three years.

Mr. VEEDER. No; it is probably about two years. I do not know exactly.

Mr. SWIFT. Call it two years.

Mr. BARKLEY. What were his duties as a representative of Swift & Co.?

Mr. SWIFT. He was not a representative of Swift & Co.

Mr. BARKLEY. What did you pay him to do?

Mr. SWIFT. Any arrangement with him was arranged by Mr. Veeder, who is our counsel, and I will tell you what I know about it. When this question of publicity come under consideration we were looking around to find out the most expert advice we could get on the question of publicity and how to go into it, and Mr. Veeder made an arrangement with Mr. Logan. I did not know about it at the time but I did soon after. I know how the question came about, and it came about, as I understand it, through a piece that was published in—I think it was Leslie's Magazine—a piece that Mr. Logan wrote, something about corporations' position with the public or something to that effect, and the piece rather appealed to us, and that was the first that I ever knew or ever heard of Mr. Logan's name; and the idea occurred to us that we liked the sentiments expressed in that piece, and that attracted us to Mr. Logan, and as I understand it, we employed him to assist us along those lines, to get his advice from an outsider's standpoint.

Mr. BARKLEY. Was he expected to write articles in behalf of your company?

Mr. SWIFT. Not exactly write them. Sometimes we submitted a question of publicity to him and sometimes he would tell us, "You had better leave that out," or "You had better put this in," or something like that.

Mr. BARKLEY. What magazines or papers did these statements go into that you submitted to him before they were published?

Mr. SWIFT. I could not say, specifically. It would only be in general.

Mr. BARKLEY. My recollection is that there appeared in practically all the Washington newspapers soon after the——

Mr. SWIFT. I did not hear that.

Mr. BARKLEY. I say that my recollection is that there appeared in the Washington newspapers, all of them, soon after this Federal Trade Commission's report was published, full page advertisements of Swift & Co., and perhaps other packing companies, with reference to that report. Were those all submitted to Mr. Logan before they were inserted?

Mr. SWIFT. I do not know about that or about any further detail—more than I have expressed to you.

Mr. BARKLEY. Mr. Logan's statement that his pay from Swift & Co. was \$500 a month is correct, is it?

Mr. SWIFT. Mr. Veeder has paid him through his office this \$500 a month. The amount is correct. Could Mr. Veeder make a statement on that subject? I have told you all I know about it.

Mr. BARKLEY. If Mr. Veeder himself is going to testify later, he can explain all those matters.

Mr. SWIFT. Well, I would refer you to him for any details.

Mr. BARKLEY. In other words, you gave your attorney, Mr. Veeder, blanket authority to make such arrangements with anybody in Washington as he might see fit in the matter of representing your company in publicity or any other arrangement he might see fit to make with them about what went on in the city of Washington?

Mr. SWIFT. That is very natural, because Mr. Veeder would not have to get my permission to employ a man at \$500 a month.

Mr. BARKLEY. He would have that general authority as your attorney?

Mr. SWIFT. Yes; but he would have to report it to me at his first opportunity.

Mr. BARKLEY. You say that this employment lasted for two or three years?

Mr. SWIFT. Two years, I think, about.

Mr. BARKLEY. This was all charged up as a part of the running expenses of your business and deducted from the gross sales in estimating your profits? It went in as other expenses?

Mr. SWIFT. I presume it must have.

Mr. BARKLEY. So that after all this advertising, amounting to some \$400,000, that you did, was not in advertising your products, but in an effort to offset what the Federal Trade Commission had said about you? And this expense, like Mr. Logan's salary, and others, was figured in your running expenses and deducted before your profits were estimated, is that true?

Mr. SWIFT. I want to explain now that those affidavits that I filed on yesterday in relation to the expenditure of \$1,700,000, stated that all of the advertising that we put out was of value as regards the sale of our products; it all helps to create a demand for them, and helps to maintain the good name of Swift & Co., so that we can sell goods on a equal footing with anyone else who has not had this notoriety. We call it all a good investment, this keeping of our products before the public, and a necessary part of our business.

Mr. VEEDER. Mr. Chaplain, our accountant, says you are mistaken, Mr. Swift, as to the amount paid to Mr. Logan being a part of our expenses.

Mr. SWIFT. How about that, Mr. Chaplain?

Mr. CHAPLAIN. No; I mean that that publicity was not deducted.

Mr. BARKLEY. What you spend for publicity goes in as a part of your expenses, and was deducted from your gross receipts in order to arrive at your net profits?

Mr. CHAPLAIN. Not under the requirements of the Food Administration, which is under their control.

Mr. BARKLEY. Let us get back to Mr. Logan, Mr. Swift: These matters of publicity referred to that were submitted to Mr. Logan because of some article you had seen in Leslie's Weekly written by him that seemed to be favorable to your side; how did you happen to pick out a man in Washington to be your adviser for publicity matter to go into all newspapers in the United States?

Mr. SWIFT. I do not know that we knew Mr. Logan was living in Washington. We simply saw this article in the weekly, and were attracted to it because of the language used and the arguments put forth. Then following the matter up and finding that he lived in Washington, we could not bar him for that reason, could we?

Mr. BARKLEY. Did you read the article in Leslie's Weekly?

Mr. SWIFT. Well, I glanced at it. I had heard about it, but do not know that I had seen it at that time.

Mr. BARKLEY. Had you heard about it before you employed Mr. Logan?

Mr. SWIFT. I think Mr. Veeder had.

Mr. BARKLEY. You do not know whether that article was responsible for Mr. Logan's employment or not?

Mr. SWIFT. I know it was the beginning of it; that it was at least partially responsible.

Mr. BARKLEY. Did you know that he was connected with a newspaper in Washington at that time?

Mr. SWIFT. Did I know that he was a newspaper man? Yes; I knew that.

Mr. BARKLEY. No; that was not my question. Did you know that he was connected with one of the newspapers in Washington?

Mr. SWIFT. No; I thought he was connected with a newspaper in Philadelphia.

Mr. BARKLEY. Did you learn afterwards that he was connected with a newspaper in Washington?

Mr. SWIFT. All I knew was that he wrote for a Philadelphia newspaper.

Mr. SWIFT. I did not that I recall.

Mr. BARKLEY. Did you know that he was on that paper at any time after he was employed by you?

Mr. SWIFT. No; I did not know it. It may have been mentioned—that is, it may have been told to me—but, if so, it was a matter that did not make any impression on me.

Mr. BARKLEY. Do you know whether or not the fact that Mr. Logan was employed on a Washington newspaper had anything to do with his employment by you?

Mr. SWIFT. I do not think it did.

Mr. BARKLEY. Do you know him personally?

Mr. SWIFT. Yes, sir.

Mr. BARKLEY. Was it a part of his duty to keep you advised as to legislation, or the activities of the Government, that might affect the packers?

Mr. SWIFT. Well, he never sent me any advice of that kind. I do not know what he may have sent to Mr. Veeder. You will have to ask him about that.

Mr. VEEDER. I will be glad to explain the matter—

Mr. BARKLEY (interposing). Inasmuch as I assume that Mr. Veeder will be put on the stand, I can ask him that when he takes the stand.

Mr. VEEDER. Very well.

Mr. BARKLEY. Mr. Swift, did you ever see any letters that Mr. Logan wrote to Mr. Veeder advising the latter about matters of that sort?

Mr. SWIFT. No, sir.

Mr. BARKLEY. Who else did you have in Washington whose duty it was to be your adviser?

Mr. SWIFT. I do not know of anybody else. I do not recall anybody else.

Mr. BARKLEY. During the time that Mr. Logan was employed by your company did you also know that he was representing the Standard Oil Co. of New Jersey, and the Standard Oil Co. of Indiana, and the General Electric Co.—of Boston, was it?

Mr. WINSLOW. Of Schenectady.

Mr. SWIFT. I did not know it, and I do not know whether Mr. Veeder knew it or not.

Mr. BARKLEY. Did you pay him any expense account in addition to his \$500 a month?

Mr. SWIFT. I think not.

Mr. BARKLEY. Are you sure about that?

Mr. SWIFT. I have been told not.

Mr. BARKLEY. What else was Mr. Logan supposed to do besides having your advertising submitted to him for his approval?

Mr. SWIFT. Well, I did not just put it in that way. We had him for his general advice as regards the publicity question from an outsider's standpoint.

Mr. BARKLEY. But the fact that the Federal Trade Commission was located in Washington, and their activities might result in legislation affecting the packers, may have had something to do with Mr. Logan's employment by your concern, may it not?

Mr. SWIFT. No, sir.

Mr. BARKLEY. So that if he had lived in San Francisco instead of in Washington, and it had happened that this article in Leslie's Weekly came to your attention, you would have searched him out and given him this \$500 a month just the same?

Mr. SWIFT. No, sir.

Mr. BARKLEY. You would not?

Mr. SWIFT. No, sir. San Francisco is too far away; and it is going in the wrong direction.

Mr. BARKLEY. I understand, but if he was an expert adviser, and you submitted publicity matters to him, what difference did it make where he might live?

Mr. SWIFT. We could not have used him at that distance. If he had lived in New York City, or in Philadelphia, or in Boston, it would have been different.

Mr. BARKLEY. Or in Chicago?

Mr. SWIFT. Well, we would have wanted somebody out of Chicago. We wanted to know what people down East thought of us.

Mr. BARKLEY. That is all.

The CHAIRMAN. Mr. Winslow, you may take the witness.

Mr. WINSLOW. Mr. Swift, about advertising: I would like to ask you if you feel there is anything reprehensible in your trying to find out what is going on in reference to your business, however you do it?

Mr. SWIFT. I should think not.

Mr. WINSLOW. Have you any knowledge which would warrant you in arriving at a conclusion as to the business efficiency of producers and others who furnish cattle to the packer?

Mr. SWIFT. Have I any knowledge about their efficiency?

Mr. WINSLOW. Yes; their business efficiency, and in their way of handling their production of cattle?

Mr. SWIFT. Well, you see there is a great variety about their methods. Some of them are extremely efficient, and some of them are extraordinarily negligent. Some of them fail and have to go out of business, while others of them succeed, stay in the business and become very rich men.

Mr. WINSLOW. Is there any considerable number of notable instances of men who have persistently kept on in the business and made a reasonable profit?

Mr. SWIFT. I think there are a great many.

Mr. WINSLOW. Would you feel that there is as large a percentage of successful producers of cattle, say in the last 25 years, as in any other line of business?

Mr. SWIFT. There is.

Mr. WINSLOW. Have you in your mind an idea of about the average percentage of profit among the successful producers of cattle—take, for instance, for 25 years back—about which I have asked you?

Mr. SWIFT. Oh, I could not give you the average percentage. There have been some very large profits made, but I could not tell you what they are.

Mr. WINSLOW. Would you feel, in accordance with your best judgment, as far as you can form it without the figures, that the business of producing cattle for the past 25 years has, in all general respects, been as profitable as the average run of business throughout the country?

Mr. SWIFT. Yes, sir; I think it has been done.

Mr. WINSLOW. And you would say that it is just as inviting a field for a man to go into at this time as any other ordinary business?

Mr. SWIFT. I would think if a man had a farm, and would put hogs with cattle, and would conduct the business in a proper manner, yes, sir.

Mr. WINSLOW. Certainly; and you would say the same thing of a plumber. If he had the necessary melting pot and the things to go with it, he can do certain work that the plumber must be able to do if he is to conduct the business.

Mr. SWIFT. Yes, sir. I might add that I understand these men have made as high as \$20 a head in feeding cattle and selling them to packers; that they would average \$20 a head, say, for the last two years.

Mr. MONTAGUE. Do you mean net profit?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. I am not so particularly concerned with the last two years, because they have had an umbrella held over them during that period; but, say, for the past 25 years—or I will say for the first 23 of the past 25 years—would you say that a man with ordinary intelligence in the setting up of his plant and operation of it has had as good a chance to make a profit as a man in any other business has had?

Mr. SWIFT. I would. But they had a pretty hard time 15 or 20 years ago. The farmers and everybody had a hard time of it, because stuff was so cheap. For instance, corn might sell for 15 or 20 cents

a bushel, and they would then have to sell their cattle cheap. I do not think their profits then were what they should have been; but since that time, coming up along toward the war times, say, perhaps for 10 years, the average has been good.

Mr. WINSLOW. I did not quite want to ask you on that plan, for the reason that there is no occasion for eliminating a dull period to the producer of cattle any more than we should eliminate a dull period from consideration in connection with the man who runs a cotton mill or a woolen mill, or a man in the building-trade business, or a man in any other business. He must take the bad with the good, the dull with the sharp demand, the same as you do and everybody else does. So if we can agree on a period of 25 or 30 or 40 years, if you choose, I would like to have your judgment as to whether or not in the long run, as in any other business, the cattle grower has as good a chance for success and profit as the man in any line of commercial activity—that is, for a fair return in the business?

Mr. SWIFT. I believe they have had for 25 years, and for the past 15 years it would be better.

Mr. WINSLOW. That latter period would help their average?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. You think that for 25 years there has been no excuse coming for the cattle grower if his business has been intelligently organized and conducted?

Mr. SWIFT. No, sir.

Mr. WINSLOW. And, further, no greater proportion of producers of cattle have failed in their business during the past 25 years than of men in any other line of commercial activity?

Mr. SWIFT. That is true.

Mr. WINSLOW. If that is the case why do all these cattle producers hate the packers so?

Mr. SWIFT. Well, as I explained on yesterday, at the time that foot-and-mouth disease was on conditions were upset in every direction. Everybody thought that hogs and cattle were on an advancing tendency. I thought myself that within six months or a year the price of hogs and cattle might advance from 2 to 3 cents a pound. But all of a sudden this thing came on, and all the natural channels got choked up, and instead of prices advancing 2 or 3 cents a pound, I think they declined 2 or 3 cents a pound. That makes a heap of difference, between going up and going down. Those men, I think, were very much dissatisfied, which they had a right to be. I think that was the beginning of the dissatisfaction and the cause of the meeting in our office, as I explained. I have no explanation to make, except that I know they had reasonable grounds for being dissatisfied then, and I could not blame them.

Mr. WINSLOW. Do you mean with the packers?

Mr. SWIFT. Well, no; I wouldn't say with the packers.

Mr. WINSLOW. That was my inquiry; why do they dislike the packers so much?

Mr. SWIFT. Well, they are inclined to blame us, along with other conditions, for the situation that existed then.

Mr. WINSLOW. For the foot-and-mouth disease?

Mr. SWIFT. Yes; in that they perhaps thought we could have acted more in their interest than we did.

Mr. WINSLOW. That is one isolated case. Have you other things in mind that would seem to warrant them in feeling that you are their enemies?

Mr. SWIFT. Well, I have this in mind, that the cattle producers and the cattle feeders who understand the true situation are not opposed to the large packers. I think there are a few of them that think they have a grievance. Strange as it may seem those that I have in mind are successful men, men who have made plenty of money and been a success in their business. But they are apparently not satisfied, and think they should have had a better arrangement, and so forth. I think the majority of the stock raisers are more in favor of the packers than would be indicated on the surface.

Mr. WINSLOW. Do you happen to know of any private source, or any bureau of the Government, or otherwise, which might furnish a statement as to the profits of producers, and so forth, of cattle and other live stock?

Mr. SWIFT. No, sir; I do not know of any bureau of the Government, nor any other source of information, except that I suppose these men themselves would tell what their profits are and have been if they are asked.

Mr. WINSLOW. Do you think any of our Government bureaus could furnish statistics along that line?

Mr. SWIFT. I do not think they have done it.

Mr. WINSLOW. So it is a pretty difficult thing to really tell accurately whether cattle raising has been becoming more and more profitable or otherwise?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. But your impression is that it has been as profitable as any other line?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. Have you in mind in a general way the total money invested in the packing business in this country?

Mr. SWIFT. Oh, I only know what Swift & Co. have invested, but I couldn't estimate the probable amount of money invested in the whole business.

Mr. WINSLOW. I expect that is a matter of statistical report somewhere. I do not want to pin you down to the last dollar, but would like to have the approximate amount.

Mr. SWIFT. The amount of money invested in the packing business of the country?

Mr. WINSLOW. Yes.

Mr. SWIFT. In plants and working capital?

Mr. WINSLOW. Yes.

Mr. SWIFT. I do not have the figures available here, except as to what Swift & Co. have invested in their business, and I would have to make a guess as to what it may be in the whole United States.

Mr. WINSLOW. That would not be very accurate, necessarily, would it? Could you obtain for us an answer to that question; and in addition get the total investments of the big five group of packers?

Mr. SWIFT. I do not know that those figures could be secured. The United States census has those figures, but they are for 1914, and nothing since.

Mr. WINSLOW. Very well, we will pass that. In the matter of refrigerator and private cars, what percentage more cars do you feel would have to be owned and operated if the Government or the railroads had charge of this matter instead of their being owned and closely followed up by private owners in your line of business?

Mr. SWIFT. Why, if they would build five or ten per cent more cars than there are now I think that would take care of the demand.

Mr. WINSLOW. That is, if you packers altogether are now the owners of and using 10,000 refrigerator cars, you would feel that the railroads or the Government would have to have at least 11,000 in order to give the same service?

Mr. SWIFT. Yes, sir; and more than that.

Mr. WINSLOW. Have you any sort of practical estimate that you could put upon that?

Mr. SWIFT. No; only in a general way.

Mr. WINSLOW. I judge from what you have heretofore said that you feel by virtue of having a bureau to keep up with the movement of these private cars—to get them loaded, sent forward promptly to destination, there unloaded, and returned to you—you are able to get the service which you now enjoy?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. In that event there would be some relation between your department and the railroad department?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. You would feel that you could not otherwise expect those results?

Mr. SWIFT. No, sir; but from the fact that we own the cars ourselves we unload them quickly, dump the stuff out as it were. That is the same way with anybody else who owns cars; they are going to unload them very quickly after they get in. If some other interest owns the cars people would not have the same incentive.

Mr. WINSLOW. And more cars means more labor to operate, more switching, more sidings, greater cost to run the railroad from every view point; isn't that a fair statement?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. So, then, from the standpoint of the management of the railroads, and in the interest of those who patronize the railroads, there would be an increase of expense all down the line?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. Have I drawn a proper inference from your testimony when I assume that you have stated that any small packer who knows his business, and is intelligent, ought to produce just about as good a line of products as anybody else?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. Have you had any opportunity to form a judgment as to the operation of railroads in respect to service, thoroughness of the service, since they have fallen under Government supervision, or the administration of the Government, I mean?

Mr. SWIFT. Well, Mr. Winslow, I would really rather confine myself to my own troubles, if possible. I hesitate to make comment on them.

Mr. WINSLOW. If you answered me directly, you would not have to say any more than that you have had an opportunity to observe that management.

Mr. SWIFT. Well, sir, I have had that opportunity, but I would rather not at this time bring it into our complications and say what it is.

Mr. WINSLOW. Suppose I ask you one question further on that, and nothing more: Has the opportunity which has been afforded you to observe Government management and control of the country's railroads given you any cause for considerable reflection upon the subject?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. That is what might be called direction by indirection.

Mr. WINSLOW. That is what is known in philosophy as the power of suggestion.

Now, Mr. Swift, this banking business seems to have attracted attention here for quite a while. I feel that you did not make quite clear enough for the benefit of our records that banks pretty generally, not only in the cattle centers but country wide, deal largely, not meagerly, in cattle paper. That is quite true, isn't it?

Mr. SWIFT. They do.

Mr. WINSLOW. Are there special brokers in all the big cities offering cattle paper in their home cities direct and all over the country by correspondence, including the loan institutions of the Government?

Mr. SWIFT. There are in most of the big cities.

Mr. WINSLOW. Men who do nothing else practically?

Mr. SWIFT. I would not say that. I would say brokers take on a general line of paper and sell cattle paper as well as commercial paper.

Mr. WINSLOW. Many of them do specialize on cattle paper?

Mr. SWIFT. I could not say that. I think that comes within their general business, but I do not think they specialize. But, in any event, they do make a feature of it.

Mr. WINSLOW. Is not cattle paper considered such an institution that it is quoted in the papers?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. And kept apart from other bank quotations on general commercial paper?

Mr. SWIFT. Yes, sir; quite often.

Mr. WINSLOW. Showing there is a distinct market for such paper, and that it is specialized in throughout the country?

Mr. SWIFT. Quite often; and it is considered the most desirable collateral paper that there is on the market.

Mr. WINSLOW. Now, to meet one point that was brought up here by my friend Judge Dillon, namely: Does not the bank in the stockyards, whatever you call it, have the power to foreclose on an unpaid note due with cattle as collateral? Of course, it has that power the same as any other bank would have on any other paper. But would it not be attended with about the same results in the long run if they should foreclose for no commercial reason?

Mr. SWIFT. Their interest in that loan and in that paper is identical with that of the owner of the cattle, and they would naturally work out between them an arrangement to market those cattle to the best advantage, even if it required an extension of the note.

Mr. WINSLOW. And if they took any advantage of the maker of the note for any reason, wherein the interest of some packer who might be a stockholder or dominant power in that bank would be affected, there would be but one thing for them left in a very short

while, and that would be to wind up their affairs, for they would have no customers left to do business with, wouldn't it?

Mr. SWIFT. If they took snap judgment of that kind, they would not only suffer with the maker in any such action, but they would also lose their customers, and eventually would have to go out of business.

Mr. WINSLOW. And if any considerable number of them worked on the same plan it would discredit them in the eyes of producers?

Mr. SWIFT. They would discredit the cattle-loan business to a serious extent.

Mr. WINSLOW. Now, as to your advertising expense. While I will not undertake to analyze all the features of it as they appear to me, I want to bring out one or two points about it. Advertising is for the purpose of creating good will, isn't it?

Mr. SWIFT. Yes, sir; and to assist in the sale of goods.

Mr. WINSLOW. Is there any sale of goods except through good will, as a rule?

Mr. SWIFT. That is about the size of it.

Mr. WINSLOW. And to keep good will you have in the long run to keep up quality?

Mr. SWIFT. That is right.

Mr. WINSLOW. Which I presume you not only try to give, but are giving?

Mr. SWIFT. We claim we excel in that respect.

Mr. WINSLOW. Well, to claim and to think are all the same. Another thing in addition in getting good will is the matter of price, with those who buy from you, either in trade or in consumption?

Mr. SWIFT. Yes, sir.

Mr. WINSLOW. Now, another point I want to clear up if I can. With your quality insured and your price satisfactory, yet you must still have methods of doing business in every other respect so as to have the confidence of the people, and be as free as possible from popular prejudice. Would you subscribe to that proposition?

Mr. SWIFT. Yes, sir; most emphatically.

Mr. WINSLOW. Would you say that the last proposition would account for your extra investments during the past year in the advertising line?

Mr. SWIFT. I would.

Mr. WINSLOW. That is all I care to ask.

The CHAIRMAN. Mr. Stephens, you may take the witness.

Mr. STEPHENS. Mr. Swift, I have a few questions which have been suggested to me by an article I have read in the morning paper. It is an interview with Food Administrator Hoover in Paris. You might have noticed it in the morning Post.

Mr. SWIFT. I missed that. I did not see it.

Mr. STEPHENS. It is rather interesting, and refers to you. I will just read it in asking my question, not that it has any particular value in itself, except to show Mr. Hoover's views on the criticism that has been offered against the packers. This article is dated Paris, January 23, and is as follows:

Herbert C. Hoover, the Food Administrator, in a statement to-day replying to criticisms of him in the United States Senate, said:

"I apparently emerge in a new light as the friend of the Chicago packers. At the same time the mail brings a report from Swift & Co. blaming the Food

Administration for reducing their profits by \$10,000,000 during the last year. I do not imagine that the packers would appreciate a wide circle of such friends.

"I notice also that I committed a crime by holding the October joint conference of farmers and representatives of 40 small packers as well as the big packers, together with representatives of allied Governments for the purpose of settling on a price for exports of pork that would give the American farmer a square deal and a distribution of orders that would protect the small packers.

"We have even tried to secure the continuance of these war arrangements through the armistice period and the opening of other markets, because the American farmer did his duty and produced the goods.

"If the American farmer and the small packer now feel that these arrangements are wrong it would be the greatest burden off our shoulders if we could know it quickly. The British Government is particularly anxious to be relieved from these arrangements."

I gather from that that Mr. Hoover is of the impression that the producers generally are dissatisfied with the fixing of the price of pork. Of course you have not found that to be true, have you? The producers are satisfied with the price of pork as fixed by this agreement, aren't they?

Mr. SWIFT. They are now. They made a great big demand and howl to have it much higher at meetings in the past. They wanted to get it a great deal higher, and appeared very much disgruntled, at least some of them did, while others of them seemed to take a fair view of it and to be satisfied. But there was a great deal of dissatisfaction, thinking it ought to have been higher.

Mr. STEPHENS. You were a member of that group of packers and producers and foreign agents, were you not?

Mr. SWIFT. Yes, sir; I have been present at a great many of them. My brother, G. F. Swift, jr., had the special responsibility, but I was there a good deal of the time.

Mr. STEPHENS. The price was fixed by agreement, not by law. There is no law providing for the fixing of the price of pork?

Mr. SWIFT. I think not, except the authority given under the war emergency.

Mr. STEPHENS. The object of that agreement was to stabilize the price so as to keep the price of pork at a figure the consumer could afford to pay, and at a figure that the producer could afford to grow it? That was the aim and purpose of it?

Mr. SWIFT. Certainly.

Mr. STEPHENS. Now, do you believe that the present price of pork is too high as compared to food prices at the present time?

Mr. SWIFT. It looks to me pretty fair and pretty reasonable.

Mr. STEPHENS. Now, then, do you think that if corn prices go down, and if the present price of pork continues, there will be an excess production of pork in the country?

Mr. SWIFT. Oh, I don't look for an excess production. I look for a tremendous demand.

Mr. STEPHENS. Well, do you think that a stable price for products is desirable over given periods?

Mr. SWIFT. Yes, sir.

Mr. STEPHENS. If a stable price is desirable, and the present price is too high, isn't it possible for the Food Administration, or some similar agency, to fix another price that would be suitable for the next crop of pork?

Mr. SWIFT. This price was fixed by a conference with the producers, the packers, and the representatives of the allied governments,

and it was the result of negotiation and dickering back and forth. It was what you might call a harmonized price. If it is going to be changed they would have to go through the same operation again.

Mr. STEPHENS. Have another meeting?

Mr. SWIFT. The Food Administration would have to have another meeting with the same people. A different argument would have to be laid on the table and threshed out and they would have to strike a general average with relation to the conditions existing, as I explained at the time.

Mr. STEPHENS. Don't you think that would be a good thing, Mr. Swift, rather than have violent fluctuations in prices, both for the producer and the consumer?

Mr. SWIFT. Absolutely. If at the present time and until after the peace negotiations are concluded and things get down to normal; I say, until that time, during this period of uncertainty that is on us now, if the Food Administration's authority for stabilizing prices were removed it would result in disastrous conditions. The first effect might be that prices might go down into the cellar or might go down, and the next effect might be that prices might go up. Everybody would be upset, and in the end prices might not average any different from the present stabilized price; but the injustice and the dissatisfaction would be great, and the results severe.

Mr. STEPHENS. In other words this violent fluctuation of price would result ultimately in reduced production, and that would raise the price to the consumer. And it would all average up about the same, but lying between would be a pathway strewn with wreck and ruin?

Mr. SWIFT. Sure. If prices declined unreasonably, which they might do, it would shut off production. And then, if later on, say six months from now when you needed production there was a greatly reduced quantity everything would be upset.

Mr. STEPHENS. Yes, sir.

Mr. SWEET. Mr. Stephens, let me ask you right there: You say in fixing the price; do you mean that the price is to be fixed upon what it will cost to produce a pound of pork?

Mr. STEPHENS. My view was that the Food Administration or some other governmental agency that would be created for the purpose, should be composed of a body of men representing the producer, the packer, or distributor, and the consumer, and taking all the facts, the amount of production available food supply and the demand into consideration, they would fix the price for whatever product was considered, and thereby end these violent fluctuations. That was the idea I was trying to get from Mr. Swift, so as to see if he agrees with me.

Mr. SWEET. A price fixed in that way would not be based upon the cost of producing a pound of pork?

Mr. STEPHENS. Oh, yes; it would, if I had anything to do with it. On the amount of corn in the country, and the amount of food supply; all those factors would go to make up a proper basis for fixing this price, and it would be adjusted periodically according to changed conditions that might arise.

Mr. MONTAGUE. Do I understand from your question that you have suggested to Mr. Swift that there ought to be a governmental instrumentality to fix prices from time to time?

Mr. STEPHENS. That is my idea.

Mr. MONTAGUE. Irrespective of war or peace?

Mr. STEPHENS. Yes; that is my idea.

Mr. SWIFT. In my testimony I want to state that that is practicable and will work out during present conditions, in war times it is perfectly practicable, and it has worked and can be worked. But whether that could be worked out under normal conditions or not I am not prepared to say.

Mr. STEPHENS. That is the point, and is one worthy of consideration?

Mr. SWIFT. Yes, sir. And shall I tell you why it is practicable now?

Mr. STEPHENS. Yes.

Mr. SWIFT. Because of the control the Food Administration has over the allied buying orders. All orders from the allies come to them; so that they have that power, a power they would not have in normal times.

Mr. STEPHENS. They would not have the power to create a market?

Mr. SWIFT. No, sir; and that matter would have to be arranged in some other way in normal times.

Mr. MONTAGUE. It is control in a governmental way over supply and demand?

Mr. SWIFT. Yes, sir.

Mr. RAYBURN. Ask Mr. Swift who he would pick out to represent the 100,000,000 consumers?

Mr. STEPHENS. We will take that up later on.

Mr. MONTAGUE. I assume that that is immaterial.

Mr. STEPHENS. Oh, no. Mr. Swift, I believe you did a business of a billion and a quarter dollars in 1918; could you have done a business of \$3,000,000,000 at a great profit per unit of business than in handling the business of a billion and a quarter dollars?

Mr. SWIFT. It would have been done at a greater profit in the sum total, but on a lesser percentage of profit.

Mr. STEPHENS. On a smaller percentage of profit?

Mr. SWIFT. Yes, sir.

Mr. STEPHENS. What I am getting at is, the larger the business the more economically it can be administered. Is that true of your business?

Mr. SWIFT. Yes; the volume is the principal item about keeping down expense and keeping up efficiency.

Mr. STEPHENS. Isn't the slaughtering and distributing of meat animals in the very nature of the business a natural monopoly? I mean by that, if it can be controlled so as to be just and fair all along the line, isn't it an advantage to have the business sufficiently large that the distribution can be effectively and economically carried on to the utmost limits of human consumption?

Mr. SWIFT. Well, I can not answer that any more than to say that volume makes for increased efficiency.

Mr. STEPHENS. I take it that is true. I think that logically follows the conclusion you came to that the larger the volume the more economically it can be handled.

Mr. SWIFT. That is all right. But as to the monopoly feature that you introduce in your question, I am not quite clear in my own mind about where that comes in. I understand with the competition that exists there can not be a monopoly.

Mr. STEPHENS. I mean by the use of the term "natural monopoly," that the packing business, like the railroads, are by nature best operated economically and efficiently when operated as a monopoly under regulation. Several gentlemen here have referred to regulation by the law of supply and demand as if that were something quite desirable. Do you believe that the law of supply and demand operates either economically or justly in your business?

Mr. SWIFT. I should think the law of supply and demand was a very important feature, and would have to be treated with.

Mr. STEPHENS. Well, now, here we have an abundance of food in certain localities. Unless it can be distributed on an economical basis among the people the law of supply and demand operates unequally right along. The Eskimo who is short on bananas and tropical fruits is long on snowballs. It is not a case of scarcity of snow nor a scarcity of tropical fruits, but a lack of distribution?

Mr. MONTAGUE. You have no demand. While the law of supply and demand continues to operate, you can not ship snow anywhere.

Mr. STEPHENS. What I am getting at is that this industry must necessarily be large, in order that distribution may be effectively carried on. Isn't that true?

Mr. SWIFT. It is a great equalizer.

Mr. STEPHENS. Therefore the law of supply and demand necessarily enters into this factor of the small packer to a much greater extent than it does with a large packer. It has been claimed here several times that the small packer can produce and distribute his meat as economically as the large packer.

Mr. SWIFT. Yes; but you come back to supply and demand before you get through. That is where you get home. The big packer must be governed by that. He can help equalize; he can neutralize; he can distribute. At one place they have a lot of cattle and no demand, and this packer could take that beef and put it somewhere where there isn't any beef. But when you get through you have to come down to the law of supply and demand, taken as a whole, for the whole United States.

Mr. STEPHENS. Well, now, we have this situation here: War is going to be over very shortly. If we go back to the old conditions again, we will have the condition of the producer flooding the market. The law of supply and demand enables the packer to buy the product of the producer at a loss; and while if he sells his meat cheaper the consumer is temporarily benefited, it is only to be robbed by excessive prices when the pendulum swings back again. Have you no suggestion to make for a solution of this problem when the war is over? Or are we to go back again to conducting the meat business just as we did before the war, with all these violent fluctuations, injurious to all concerned?

Mr. SWIFT. This same system of stabilization, if it could be arrived at, would be a good thing; that is, if some system of stabilization could be evolved.

Mr. STEPHENS. Do you think that some sort of national agency, representing the packer, the producer, and the consumer, might be worth considering for the purpose of stabilizing food products?

Mr. SWIFT. Anything that will make for an average price over a period is better than that same price arrived at by jumping up and down. It is better for everybody if they can get some average price.

Mr. STEPHENS. I think that is all.

The CHAIRMAN. Judge Parker, of New Jersey.

Mr. PARKER of New Jersey. Mr. Swift, you have seen this second part of the report of the Federal Trade Commission, have you not?

Mr. SWIFT. Yes, sir.

Mr. PARKER of New Jersey. I can not read it in full, but on pages 52 to 55 there is a tabulated statement of the proportionate purchases of hogs in the various markets by you and other buyers, said to have been taken from your books, the portions being given by percentages. And there always appear, or I mean afterwards appear, some telegrams, which seem to imply that each man had his share, or was to buy his share on a particular market. Just as an example I will read one of these telegrams:

Private wire telegram.

Received, Louis F. Swift, Dec. 11, 1913, 50 sa St. Joe, Dec. 11.

To LOUIS F. SWIFT, *Chicago*:

On account of making repairs on filling floor, Hammond (Hammond Packing Company, owned by Armour & Company) unable buy their proportion. Have only bought nine hundred fifty cattle first three days this week; Swift & Company twenty-four hundred; Morris twelve hundred fifty. Figure Morris have done their share. Still under circumstances would appreciate still better support. Understand Hammond can only buy two hundred more this week, including to-day's buying.

Alden B. Swift (manager of Swift & Company plant at St. Joseph), 1021a L. F. S.

Now, that was in the year 1913, before the war. If you know anything about that telegram, I would like to have you explain it: and especially if the words "their share" mean anything.

Mr. SWIFT. Well, I think the general assumption, or the general idea is—

Mr. PARKER of New Jersey (interposing). What is meant by "their share"? There are several other telegrams with reference to other people, and I only read one as an example, because there is no reason for encumbering the record—but in these telegrams they speak of percentages or shares of various packers at the various markets. What does that mean?

Mr. SWIFT. All there is to that is this situation: There was some live-stock surplus on the St. Joe market, and this man Alden B. Swift was interested in that these people were not taking the cattle, that the cattle could not be sold, the people were not getting down to buying and cleaning up the market. He wanted the market cleaned up, Swift & Co. had bought all the cattle that they could possibly use, 100 per cent capacity; Armour & Co. had had an accident in their plant and they had laid down—that is, they could not buy as they ordinarily would—and the object of that telegram was to see if it would not be possible to get an increase of buying orders on that market, and by his saying they had done their share he meant the same thing as, "I can not find any fault with what they have done, but try to get them to do more."

Mr. PARKER of New Jersey. He said they did not buy their share, so they were to buy their proportion?

Mr. SWIFT. Just a second. It says, "Figure Morris have done their share." That means—

Mr. PARKER of New Jersey (interposing). Yes; but he says the Hammond Packing Co., owned by Armour & Co., was unable to buy their proportion.

Mr. SWIFT. The plant was broken down.

Mr. PARKER of New Jersey. What is meant by "their proportion"?

Mr. SWIFT. They quit buying, and he did not want them to quit buying. But they had to do it, and he wanted somebody else to take up the slack.

Mr. PARKER of New Jersey. Was there any fixed proportion?

Mr. SWIFT. There was not; there never was, and never will be.

Mr. PARKER of New Jersey. Who is Alden B. Swift?

Mr. SWIFT. My son. Answering further, and that is all that you can find in any of the telegrams or in any of the letters, I will say if there is any reference to people buying or not buying their share only means in relation to their volume, based on what they usually buy. As an illustration, you might say that the Baltimore & Ohio Railroad over here in this city is not doing its share of the passenger business, that their volume has dropped off, that they were losing some of their share. That is all there is to it. It is only an expression by way of comparison.

And I would like to ask this question: Does not that telegram show competition all right? If my son was trying to egg on our competitors to go up to 100 per cent efficiency for their plants, in order that he might get rid of the surplus live stock, a surplus that would otherwise have to be carried over Sunday in that stockyard, does that not tend to show the competitive conditions existing there?

Mr. PARKER of New Jersey. Have you examined the diagrams showing yearly purchases, or the percentages purchased of cattle, sheep, and hogs during the period of 1913 to 1917, as found on page 57?

Mr. SWIFT. Yes, sir; I have seen them all.

Mr. PARKER of New Jersey. I suppose you had. Now, I want to point out about cattle alone, and I only want to see if I understand it aright. Cattle for the year 1913 are shown to have totaled 5,082,619, as the number of head purchased; in 1914 the total number was 4,841,689; in 1915 the total number was 5,279,407; in 1916 the total number purchased was 6,097,183; and in 1917, 7,629,569. In each case your percentage ran right around 34 per cent. The object of this table is to show that notwithstanding variation in the number of cattle received and marketed your purchases were in each year about the same percentage of the total; Armour's percentages were about 27 per cent; Morris's purchases were about 17 per cent or 18 per cent; Wilson's purchases are between 10 per cent and 12 per cent; and Cudahy purchased between 9 per cent and 10 per cent, and the continuance of this average over a period of four years is suggested as the thing to be observed. The same thing is true nearly exactly in reference to hog purchases; while sheep run a little more. What can you tell us about these purchases being nearly the same during this period of four or five years?

Mr. SWIFT. I want to say in the first place that this telegram that you refer to for the cattle buying in 1913 and on down to 1917 shows very plainly that our buying was a gradual increase on the percentage basis. That market is on the upgrade, continually show-

ing an increase through the five years, as to percentage. Isn't that right?

Mr. PARKER of New Jersey. Go ahead.

Mr. SWIFT. While Armour's and Morris's show the opposite. They show that their percentage is on the down grade all through the five years. If that shows any concerted action, the fact being that Swift & Co. were increasing their buying all the time while the others were not, then I fail to see anything indicating it to my mind. On the contrary the others were decreasing.

Mr. PARKER of New Jersey. You are speaking of cattle, as shown in this statement?

Mr. SWIFT. Yes, sir. As to this increase in our percentage I want to have Mr. Chaplin tell me what the number of head is that is shown by the increase on one year's buying over another.

Mr. CHAPLIN. About 90,000 head.

Mr. SWIFT. It is an increase of 90,000 head, as shown here in this one case, and if there is anything in the statement that Swift & Co. and Armour & Co. have any agreed ratio between them as to buying cattle it is disproven here, because Swift & Co. bought 90,000 more cattle in one year than they were entitled to. You may take my word for that, if there were any understanding as to agreed percentages nobody else would stand for it. That situation in itself, in my opinion, is positive proof that any arrangement about agreed percentages is ridiculous.

Mr. PARKER of New Jersey. Was there any understanding about a percentage basis of buying?

Mr. SWIFT. There was not.

Mr. PARKER of New Jersey. On any market at any time?

Mr. SWIFT. There was not.

Mr. PARKER of New Jersey. Do you know anything about a so-called memorandum book mentioned on pages 57 and 59, called "The Black Book"?

Mr. SWIFT. Well, I know what I have read about it.

Mr. PARKER of New Jersey. It was not your book, was it?

Mr. SWIFT. No, sir.

Mr. PARKER of New Jersey. It shows conversations, seemingly, as to percentages of cattle, and also why certain amounts should be left out of any reckoning of what was done. What does that mean?

Mr. SWIFT. Why, that shows that Mr. Sulzberger was keeping track of his cattle buying and the percentage of the cattle buying.

Mr. PARKER of New Jersey. Well, your own books, as we find on page 55, according to this statement, when you made up your statement of the total buying you said:

Total buying includes: Swift, Louisville, Omaha Packing Co., Plankinton, Milwaukee, St. L. D. B. Co. direct.

Armour, Peoria, Louisville, Fowler, Hammond, St. Joe, Anglo, Chicago.

Morris, Omaha, Nebr.; Cudahy, Wichita; Wilson & Co., Sioux Falls.

Packer's direct shipment not included in receipt or percentage of plants to which hogs were shipped.

Why was that left out?

Mr. SWIFT. Those figures that you mention are just bookkeeping; a memo, so that we could keep our own figures on the same basis from year to year. You see this is very much involved, and we try to keep

our basis the same from year to year, so that we can tell what is going on.

Mr. PARKER of New Jersey. What do you mean by "basis"?

Mr. SWIFT. We keep track of how our volume runs as compared with the other people from time to time. This that you read about hogs not included where it says: "Packers' direct shipment not included in receipt or percentage of plants to which hogs were shipped," means if Armour would buy hogs in Omaha and ship them to Chicago alive to be killed, that we would add them in the Omaha buy. It would be a matter of choice whether you were going to add them in as Chicago kill or Omaha buy.

Mr. PARKER of New Jersey. You do not want to put them in but one place for one day?

Mr. SWIFT. No, sir.

Mr. PARKER of New Jersey. You say this memorandum was only for your own information as to how you were getting along in comparison with others, and did not show any agreement between you gentlemen in buying?

Mr. SWIFT. No, sir. And I want to say a word about Mr. Sulzberger and his black book. Owing to the extreme competition existing between the five large packers the firm of S. & S. had become practically financially bankrupt.

Mr. PARKER of New Jersey. The Sulzberger firm?

Mr. SWIFT. Yes; S. & S., as I call it. Owing to the competition existing amongst the five large packers they were practically down and out. They could not continue in business; and it became a question of their making an assignment or going into liquidation; and after a great deal of running back and forth and talking around, the most of which is in this black book, and after a great many plans had been considered, they finally ran on to the plan of getting a new president and reorganizing and refinancing the company. They united on Mr. Wilson, who was the vice president of Morris & Co. They got him away from Morris & Co. and reorganized and got the firm on a sound footing, and now, apparently, they are running along in good business condition.

That explains the most of the things in this black book.

The CHAIRMAN. The committee will take a recess now until 2.05 p. m.

AFTER RECESS.

The committee reassembled at 2.15 o'clock p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order.

Mr. Swift, you may proceed.

STATEMENT OF L. F. SWIFT, OF CHICAGO, ILL.—Continued.

Mr. PARKER of New Jersey. On page 131 of part 2 of the report of the Federal Trade Commission on the meat-packing industry I find the following letter from the agent of the Western Meat Co. at Fresno, Cal.:

Provision Department, Western Meat Company, San Francisco, Cal.

GENTLEMEN: We find according to information received from the Western Meat Company, Jan. 9th. that Swift & Co., Los Angeles, have been selling to the Terra Bella Mercantile Company of Terra Bella. We would like to have you advise us when Swift & Co. were accorded the permission to sell goods in our territory. We understand this account is worked regularly by their salesman.

What does that mean?

Mr. SWIFT. That was written from Fresno, Cal., to the Western Meat Co., San Francisco. That was written by the local agent at Fresno, and I have no idea what he could refer to in that dispatch.

Mr. PARKER of New Jersey. Have you any connection with the Western Meat Co.?

Mr. SWIFT. Yes, sir; I am a shareholder.

Mr. PARKER of New Jersey. Are they part of Swift & Co. or not?

Mr. SWIFT. They are not a part of Swift & Co.; no, sir.

Mr. PARKER of New Jersey. So they could not claim the territory as being part of yourselves, under an arrangement for distribution?

Mr. SWIFT. No, sir.

Mr. PARKER of New Jersey. And you don't know what he means by permission to sell goods in their territory?

Mr. SWIFT. I have no idea.

Mr. PARKER of New Jersey. All right. Is there any man here who can tell, who could speak for the Western Meat Co.?

Mr. SWIFT. No, sir.

Mr. PARKER of New Jersey. That is all I have.

Mr. SNOOK. Mr. Swift, turning to the subject referred to by Mr. Stephens about the price fixing on hogs, did I understand you to say that you favored a permanent policy of price fixing?

Mr. SWIFT. I only referred to the fact that I favored a stabilized price during the present conditions. Now, when they return to normal conditions, I think it would be all right if a practical way could be found, but I am somewhat in doubt about the possibility.

Mr. SNOOK. Well, do you think if a policy was adopted, for instance, that would accord the farmer or producer 8 per cent on the production of hogs, would that induce them to produce enough hogs to supply the market, considering the larger price of corn and wheat, relatively speaking?

Mr. SWIFT. That would all be added in the expense, the cost of corn and wheat, whatever it cost, that would be added in the expense.

Mr. SNOOK. Suppose we had a policy, a permanent policy, by which the farmer or producer of hogs would be accorded a profit of 8 per cent, just as you were accorded a profit under the price-fixing law during the war, would that be sufficient incentive to the producers of the country to produce hogs enough to supply the market; or would he turn to some other business if it was more profitable?

Mr. SWIFT. He would be very apt to turn to other business, if it was more profitable.

Mr. SNOOK. Can you think out, or do you think of any plan in normal times by which this price of meat products to the producer could be stabilized or fixed?

Mr. SWIFT. No; it would be possible if there were some arrangement made, if the producer had a representation on a committee and the packer had a representation, and if the consumer had a representation; and a thing of that kind might be possible to be worked out if it was not for the Sherman antitrust law.

Mr. SNOOK. If it was in effect for any appreciable length of time, wouldn't the conflict of interests between the producer and consumer constantly create friction, the consumer claiming that the price was too high and the producer claiming that the price was too low?

Mr. SWIFT. All you would have to do would be to put them together and split the difference.

Mr. SNOOK. Do you think that would satisfy them?

Mr. SWIFT. If you go half way for each side it ought to satisfy them.

Mr. SNOOK. But, I say, would it satisfy them?

Mr. SWIFT. If it did not, they would have to quit it.

Mr. SNOOK. I was trying to find if you have any reasonable plan by which you think a thing of that kind could be worked out and carried out on an extent that would take care of the whole meat business?

Mr. SWIFT. If it was not for the Sherman law.

Mr. SNOOK. I am not talking about the Sherman law. If there was no Sherman law, is it practical to work that out?

Mr. SWIFT. Along the lines of constructive cooperation, working together, between the producer and the packer and the consumer, I think it is possible to be worked out.

Mr. SNOOK. You think, then, if I get you right, that the producer should be taken into partnership in this business of dressing and packing and distributing meat, and that the consumer should be taken in; that we should have a cooperative system of packing and distribution instead of one on a competitive basis, like you have it now?

Mr. SWIFT. No; I don't mean to make one large financial company and have the producers and the consumers interested, but I mean to have them represented on a committee in some way that would have power to cooperate and work together in the way of constructive cooperation, instead of ruinous competition.

Mr. SNOOK. You don't mean taking everybody into partnership and working on a cooperative basis, like some of these producing companies.

Mr. SWIFT. I do not. That would not work.

Mr. SNOOK. But isn't the fact that that worked so well during the war—isn't that due to the fact that the Government of the United States and the allied countries bought such a large percentage of the products that they were thereby practically controlling the price to everybody?

Mr. SWIFT. Yes, sir; by pooling their interests they worked together, and they were able to have that control of the situation.

Mr. SNOOK. But suppose the allied countries could buy cheaper in Argentina or Australia, and they removed their support; then you have the price fixing on a basis fixed by the Government purchasing the meat, and wouldn't the Government have to tax the whole people for that?

Mr. SWIFT. The price would have to come down then, to allow for that Argentine competition cutting in on the volume.

Mr. SNOOK. You think, then, that there should be some practical way in which that might be possibly worked out, by which you could stabilize this price?

Mr. SWIFT. I think it is among the possibilities. It is very difficult, almost a miracle, but I have seen other difficult things worked out.

Mr. SNOOK. Now, returning to another question that was asked you, I think by Mr. Winslow, and that is if you could give any rea-

son why it was that the producers—the farmers and the producers—seemed to have a distrust or dislike of the five big packers. Can you think of any reason, other than the one you gave a moment ago, about the occurrence of foot and mouth disease, for that?

Mr. SWIFT. I don't think of anything at present than what I have said.

Mr. SNOOK. I call your attention to this: Do you think that part of this distrust might not arise from the very size to which these great institutions have grown?

Mr. SWIFT. I don't doubt that; yes, sir.

Mr. SNOOK. Don't you think that has a great deal to do with it?

Mr. SWIFT. Very likely.

Mr. SNOOK. I suppose you have gone over the bill quite carefully, haven't you?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. How do you interpret the first section of this bill. Do you interpret that section to mean that it is the intention of those who administer this law, if it is passed, to ultimately pass this business over to Government ownership?

Mr. SWIFT. It looks as if that would have to be the end.

Mr. SNOOK. Is that your idea?

Mr. SWIFT. That is my idea, that that would be the ultimate climax.

Mr. SNOOK. Now you have been engaged in the business a long while, can you advise or think of any scheme by which these first provisions in the bill could be worked out by Government control in any way—not talking about the license system; I will come to that in a minute—without Government ownership of the refrigerator cars, stockyards, and those things that are not actually used in the packing business?

Mr. SWIFT. The Government has full access to the packers' book, and under the power given the Federal Trade Commission they are fully posted and have full knowledge at all times of how the business is conducted, and in my opinion, with that supervision, with the proper supervision that the laws already give, as the laws give power to a bank examiner to examine the banks and see that there is no violation of the laws, in my opinion that is all that is practical or possible in the packing business.

Mr. SNOOK. I get your point of view in that respect, but what I want to get is your point of view as to what you thought this ultimately meant to the business if the law was passed. Does it mean public ownership of these institutions?

Mr. SWIFT. I think so.

Mr. SNOOK. That is the way you interpret the law?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. Now, you have also studied the conditions of the bill that provide for licensing, something, I presume, along the lines used during the war?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. Now, without reading that provision in the bill, you talked it over, undoubtedly, in your counsel. Do you interpret that provision of the bill to mean that if it was enacted into law under

provisions they could prevent you from engaging in these allied industries, so called?

Mr. SWIFT. Yes, sir; if that license scheme is put into effect, the department of the Government that has it under control would undertake to dictate and run the business. He would have the power to say that the packers have got to stop doing business in a certain way and do it in a certain other way; and he could tell them to stop handling eggs, if he wanted to, for instance.

Mr. SNOOK. I am asking you that question, Mr. Swift, because I asked the same question of Mr. Colver and he did not give me a direct answer. I think, though, from his answer that he gave it is his contention that that authority is not conferred by the bill to prevent you from going into these things.

Mr. SWIFT. I understand that the assumption of the Federal Trade Commission is that this bill would have the power to eventually take over the packing houses, packer ownership, but they would not use that power; they would get along with less power.

Mr. SNOOK. I understand that, but I am talking about this because before we pass the bill we want to know what could be done; and I want to know whether you people, with the view that you take of it, think that the provisions are broad enough that this licensing board, whatever it may be, could or would, if they so chose, prevent you from engaging in these other so-called allied industries.

Mr. SWIFT. That is my understanding; that they would prevent it if they wanted to; they could if they wanted to.

Mr. SNOOK. Now, you are a business man of broad experience. If that provision was applied to the packing industry—that is, put under a licensing system—what do you think its effect would be upon the general public as to all other large industries? Would there be a demand that all of the great industries of the country be subjected to the same kind of law?

Mr. SWIFT. I suppose that would depend on how the scheme worked out.

Mr. SNOOK. I am not talking about what the commission says, but the public. I am asking that question because when we applied the license system during the conduct of the war and we had the price of wheat fixed, and you practically fixed the price of beef, there was great clamor throughout the Middle West because we did not fix the price of other products—cotton and veal and shoes and other things. If we went into this business of price fixing and licensing, wouldn't there be a demand upon the part of the people of the country for the fixing of the price of everything and licensing of all business?

Mr. SWIFT. If the Government licensed the packers, and perhaps eventually took over the packing houses under Government ownership, if it proved a success, if it proved a benefit, the people would want more of it. If it proved detrimental, then they would have had enough of it.

Mr. SNOOK. That is your idea?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. How do you determine your policy as to whether or not you will take up one of these new lines; what policy governs?

Mr. SWIFT. Well, it largely depends upon what pressure is brought to bear on us, what advantages we can see in it, or what

advantages our customers put up to us in that respect, and there are certain other fundamental rules. We have made up our minds that we will not get very far away from the packing business and what we consider goes with it. We are going to stick to those general lines.

Mr. SNOOK. Are you governed in deciding whether you will take up one of these lines of industry as to how closely it is allied to something you are already handling?

Mr. SWIFT. Yes, sir. We have the policy that we will not go into anything in direct contrast to the packing business, but only into allied food business.

Mr. SNOOK. It is not a question, then, of how much profit you can make out of a thing, but whether or not it can be handled to advantage in connection with something you are handling already?

Mr. SWIFT. That is right, as to whether it fits in; whether it is really a part of our business or not.

Mr. SNOOK. Now, in your study of the food question—you have given, and so has Mr. Armour, the amount of profits you are making out of the good business—have you made a study of the amount of profits that the retailer or the person that handles the goods after you get through with it, before it reaches the consumer, makes out of the business?

Mr. SWIFT. No, sir; that is pretty difficult. That is a good deal like trying to find out how much profit the farmers make.

Mr. SNOOK. Have you ever made any study of that?

Mr. SWIFT. I have looked into it.

Mr. SNOOK. I am asking that, because, of course, one of the objects of this bill, if enacted into law, is to furnish the product to the consumer at a cheaper rate, and I want to know if there might not be some light thrown upon that phase of the question.

Mr. SWIFT. The question of the retail distribution is a very complicated question. There comes into that the question of cash-and-carry stores. Now, there are a great many of those coming into existence, meat markets and grocery stores, and if the customer will come there with a basket and take the stuff away, pay cash for it, there seems to be a growing tendency to cut the price to the consumer in that manner, in contrast to people wanting to purchase by telephone and have it sent up immediately by special messenger, and then they want 'a few months' credit. Those are the two different systems that are in operation.

Mr. SNOOK. Let me read you a statement that was published this morning in the Washington Post, which purports to be an extract from a speech made by the senior Senator from your State, the State of Illinois, touching the question I am talking about now—just one paragraph, in which he says—

Mr. SWIFT (interposing). Is that Mr. Kendrick?

Mr. SNOOK. No; Mr. Sherman, the Senator from Illinois. He says, referring to the situation in Washington as touching the consumer of meat products—so carried by the Post—I suppose it is from his speech:

"Save the suffering people of Europe," thundered Senator Sherman. "What about the starving poor in Washington and elsewhere? Why, this is the place where it is a mad riot of brokers; where the market is supposed to be

a place where supplies could be purchased at a reasonable price is but a den of thieves; and I would to God that the Saviour would return to earth and scourge them out of the temple of decent living and respectable prices."

Now, do you think there is any warrant in making a statement of that kind, in view of the study you have made of the question of the price of meats that are being sold in the Washington market?

Mr. SWIFT. That refers to the retailers in Washington, does it?

Mr. SNOOK. It refers to the retailers. It is this Center Market you have been talking about, where you have your branch house. Of course, you say that you are making only a reasonable profit, and, of course, if these conditions are true, as represented in this speech, it must be due to the retailer. Do you think there is anything of that kind? You are familiar with the prices they charge there for cuts of beef, aren't you?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. What do you think about that?

Mr. SWIFT. I think a man can go to one place and pay 60 cents a pound for beefsteak and have it sent up by special messenger, and he can go to another place and buy beefsteak just as good for 40 cents a pound and put it in his basket and take it home with him.

Mr. SNOOK. Well, then, Mr. Swift, after all, they have investigated the packer and he claims that he is only making a reasonable profit; might there not be some reason for investigating the retailer, if these things are so, to find out?

Mr. SWIFT. I haven't any advice to give on that subject. It is a complicated question. There are thousands of retailers and all under different conditions, and the consumers all purchase their stock under different conditions.

Mr. SNOOK. There is a very emphatic statement made by a very distinguished gentleman in the United States Senate.

Mr. SWIFT. I can't comment on that. I can't make any comment on his speech.

Mr. SNOOK. Well, then, just one more question. Do you oppose the provisions of the bill providing that the refrigerator cars be taken over or operated by the Government? Do you think that would be a proper thing to do?

Mr. SWIFT. I think about the refrigerator cars that it would be impractical, and there is an easier way to take care of the situation.

Mr. SNOOK. How is the better way? What is the better way?

Mr. SWIFT. I want to say, in the first place, that I think the Federal Trade Commission have found out some handicaps and disadvantages that the small packer is in about the cars and the wholesale market that the small packer hasn't found out himself. They elaborate on the question of the cars and the branch houses; the small packer hasn't the handicap or the desire to the extent that the Federal Trade Commission intimates. But the Government should build enough cars now to take care of the demand, whatever it is; they should build enough additional cars and put them at the service of the small packer.

Mr. SNOOK. And the five large packers should have no use of these cars?

Mr. SWIFT. They should be built and the small packers should have the first service, the first call on the cars. Then, if they did not need them, the larger packers should be allowed to use them. Now,

there is a law that has been enacted by the Interstate Commerce Commission that to a certain extent provides for the small packers to have the preference on their demand for cars right now with the large packer, and if you like, I will read you what that is.

Mr. SNOOK. I understand that. But your plan, then, would be to furnish enough more cars to supply this demand?

Mr. SWIFT. And take care of the small packer first.

Mr. SNOOK. And leave the situation as to the large packer as it is now?

Mr. SWIFT. Certainly.

Mr. SNOOK. Now, I want to ask you one more question, then I am done. If these cars are taken over, the ones that are owned by you and the other five large packers, and operated either by the railroads or the Government, in your opinion would there be any deterioration in the quality of the service?

Mr. SWIFT. There certainly would.

Mr. SNOOK. And is that the reason you oppose taking them over?

Mr. SWIFT. Yes, sir.

Mr. SNOOK. That is all I have.

Mr. SWIFT. Mr. Chairman, could I have this read? It is just a few lines about the present law regarding the distribution of refrigerator cars?

The CHAIRMAN. Certainly; you can read it or put it in the record, just as you like, Mr. Swift.

Mr. SNOOK. I would like to have Mr. Weld read it. Then it will be turned over to the reporter. This is the rule of the Interstate Commerce Commission about the handling of cars, as to the way they are handled at present.

Mr. Weld read the paper as follows:

DISTRIBUTION OF CARS.

Under the rules of the Interstate Commerce Commission, where a shipper owns his own cars, they are counted against his allotment before he can receive any cars of railroad ownership. Thus the privately owned cars increase the number available to nonowning shippers. Suppose on a particular day Swift needs 100 cars, and some packer not owning cars needs 100. If Swift has 100 of his own cars available, he would not receive any from the railroad and all of its cars would go to the nonowner. If there were a shortage, however, so that Swift needed 100 but could only obtain 50 of its own, and the nonowner also needed 100, then the 50 of Swift's own cars would be counted against his demand for 100, leaving 50 to be supplied. The nonowner, however, calls for 100. Then the available railroad cars would be divided on the basis of one-third to Swift and two-thirds to the nonowner. It will thus be seen that the private ownership always works to make either all, or a greater portion, of the railroad cars available to nonowners.

Mr. DEWALT. Now, Mr. Swift, how long have you been the practical manager of your business?

Mr. SWIFT. I have been the president 16 years. I was vice president previous to that.

Mr. DEWALT. I suppose, then, it is safe to say that if any man knows, you know the ramifications of your business and the way it is conducted?

Mr. SWIFT. I ought to. If I don't, I think it is too late to learn.

Mr. DEWALT. Now, somebody said in these hearings—I will not say that you said it—that there was at the present time a very large

stock of slaughtered beef and hogs on hand in the storage houses. I think you said the English Government had now 50,000 tons in storage in this country. Is that correct?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Out of that quantity now in storage in the United States, including the 50,000 tons held here by England, ——— with the demand of the trade? Is it a large surplus?

Mr. SWIFT. On the beef proposition there isn't any more than normal, outside of that English beef. When that is shipped, things on the beef would be about normal.

Mr. DEWALT. I suppose it would be fair to say, Mr. Swift, that the 50,000 tons which belong to the English Government should not be taken into account, because it is not at the disposal of the sellers here in this country, is it?

Mr. SWIFT. That is right.

Mr. DEWALT. So I understand you, then, to say affirmatively that the present stock on hand in the United States, of beef, is about normal with the demand?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Now, is that true as to hogs—that is, slaughtered hogs?

Mr. SWIFT. Well, it is over normal. The stocks are quite heavy, but we have had them as heavy in the past year several times and always wiggled out of it. It always comes out all right in the end.

Mr. DEWALT. It took some wiggling to get out, did it?

Mr. SWIFT. You bet.

Mr. DEWALT. Well, now, how is that in regard to, we will say, corned beef and bacon and ham and other meat and hog products? When I speak of meat, I am speaking of beef. Is there a large surplus on hand of that?

Mr. SWIFT. Well, that is covered by what I said. First, we spoke of beef. That is about normal. Next we spoke of pork. That is heavier than normal, but that includes hams and bacon.

Mr. DEWALT. Now, of course, if you have a very large stock on hand, then you would naturally want to get a market for it and sell it. That is so, isn't it?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. I have heard, not only by intimation, but by direct charge, something which I think you ought to have the right either to explain or express your honest opinion about—it has been openly charged, not only in the past, but in public places, in legislative halls, that the \$100,000,000 loan—not the loan, but the \$100,000,000 appropriation for the purpose of buying and providing food for the needy people in foreign countries who are our allies—was intended for the benefit of the large packers and the other packers, if you please, who had an immense stock on hand and were in danger of loss. Now, if you desire to express any opinion upon that, I wish you would do it. I think it is fair to you that you should do it.

Mr. SWIFT. Well, there is nothing to that statement or construction of the matter. There is no possible way that such an assumption could be put.

Mr. DEWALT. Well, this would be true, however, would it not, Mr. Swift, that if there is to be a large purchase to the extent of

\$100,000,000 of foodstuff, including meat, that naturally your meat and your surplus products that you now have on hand would be bought for that market? That is true, isn't it?

Mr. SWIFT. Yes, sir; that is all right.

Mr. DEWALT. Now, just let me follow that up. Can't you show me, or can you show to anybody else that is a fair-minded man, that there is anything wrong in that transaction at all, if they need the stuff and you have got it to sell?

Mr. SWIFT. I was going to say that this stock on hand, while it is a heavy stock, it is needed for consumption and for export, and to assume that it would benefit the packers to get rid of this on this large order that is in question is assuming too much, because all the stuff that we have got will be needed and sold for export. The prices at present, while they are high, are not fictitious. That product is worth the money that it cost, considering what it cost to produce it and everything else, and it will be shipped out in the due course of business.

Mr. DEWALT. Now, I will ask you the direct question: Have you personally or through any of your agencies, either through Mr. Shaw or Mr. Logan, whose names have been mentioned here, attempted in any way to influence the passage of that \$100,000,000 bill?

Mr. SWIFT. We have not.

Mr. DEWALT. Have you any personal knowledge that any of the packers, either large or small, independent or combined, have attempted to influence the passage of that act?

Mr. SWIFT. I am positive they have not.

Mr. DEWALT. Well, I will drop that.

Mr. MONTAGUE. Before you leave that, will you kindly ask him whether or not he had any intimation that the President would ask for an appropriation of \$100,000,000.

Mr. DEWALT. Yes. Did you have any information prior to the issuance of the President's request that there was such a request to be made?

Mr. SWIFT. I never heard of such a thing.

Mr. DEWALT. And in consequence thereof lay up big stocks?

Mr. SWIFT. I never heard of such a thing.

Mr. DEWALT. In other words, did you have any preknowledge of the intent of the President to request any such amount of money for such a purpose?

Mr. SWIFT. No, sir.

Mr. SANDERS. Mr. Dewalt, did you ask him the question, in that connection, whether or not he will be able to dispose of this surplus that he has on hand with or without the passage of this \$100,000,000 appropriation?

Mr. DEWALT. I think the gentleman has answered that, but he can repeat the answer.

Mr. SWIFT. I want to say that I am not worried about our stock of pork products on hand. There is going to be a demand for it. I would not be surprised but what within six months we would not have enough on hand to fill our orders; and so it is immaterial to me, as a packer, who buys that stuff, whether it goes out on this now, or where it goes. It is going at the proper time, when the demand comes along, and it is not a question of burden to the packer.

Mr. DEWALT. I suppose that is answer enough.

Mr. SWIFT. There is going to be a tremendous demand for pork products, and while temporarily there is a heavy stock, I would not be a bit surprised to see a scarcity and prices higher; in fact, I expect it, when Germany and these neutral countries get down to a normal basis and get to ordering their goods in a normal way.

Mr. DEWALT. You have already said that. Now, I will ask you this broad question: As the manager of your business, are you opposed to regulation thereof by the Government?

Mr. SWIFT. We are in favor of a reasonable supervision, something such as is given the national banks by the bank examiner's department.

Mr. DEWALT. In other words, then, I take it that your answer is that you are not opposed to reasonable regulation?

Mr. SWIFT. Supervision.

Mr. DEWALT. Well, does that supervision, in your mind, include regulation?

Mr. SWIFT. Well, I think regulation includes the control, and I don't think it would be advisable from any standpoint to have the Government control the packing business as to the manner of conducting the same. Certainly they would not be able to bring out a department or any number of men that would understand how to operate the packing business as well or as efficiently as the packers now in the business.

Mr. DEWALT. Then, I would understand you to say—if I am wrong, you will correct me—that you are opposed to regulation, but you are in favor of supervision.

Mr. SWIFT. That is right.

Mr. DEWALT. And you cite as an instance the national banking system?

Mr. SWIFT. Yes, sir; I believe that through a system like that the Government should keep track of our business, and if there is any law violated, make us suffer for it.

Mr. DEWALT. I suppose, however, you would in the same breath, as a bank director, say that the national banking laws include not only supervision of the banks but they include regulation thereof, wouldn't you?

Mr. SWIFT. Well, I don't know about that. I don't think the bank examiner tells one bank whether they can have a bond department or whether they can't have a bond department.

Mr. DEWALT. No; but the Government not only regulates but supervises the national banks. Don't make any mistake about that. I will drop that. Now, as to this matter of supervision, of course you are acquainted with the provisions of the Sherman Act, not only by hearsay but by practical demonstration?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Is that mere supervision or is that regulation?

Mr. SWIFT. I should think that was both.

Mr. DEWALT. That is both?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Now, you are not opposed to the enforcement of the Sherman antitrust laws, are you?

Mr. SWIFT. Well, it seems to have a good many objections.

Mr. DEWALT. I agree with you in that, but I am talking about your specific business.

Mr. SWIFT. The Sherman antitrust law, so far as the railroads are concerned, have gone to pot long ago, in my judgment.

Mr. DEWALT. But I am talking about your business, Swift & Co.

Mr. SWIFT. The railroads couldn't operate successfully under the Sherman antitrust law.

Mr. DEWALT. Now, you have had this supervision and regulation under the trust laws. Has that been found efficient, so far as regulation of your business is concerned? Let me couple it with something else, perhaps, to help you out. Conceding for the sake of the argument—and only for the sake of the argument—that there was a combination or, if you please, only a gentlemen's agreement among you packers, have the antitrust laws been efficient in so regulating your business as to prevent such things if any such things were agreed upon?

Mr. SWIFT. Well, that is a legal question and pretty well complicated.

Mr. DEWALT. No; it is an actual demonstration in your business. Here you have got a law. Now, you have obeyed the law—Mr. Armour said you did, and I think you all say that you did.

Mr. SWIFT. We have.

Mr. DEWALT. Now conceding for the sake of the argument that there was any such thing as a combination—I don't want you to concede it and I don't concede it for you—but conceding that there was, for the sake of the argument, hasn't it been proved that the antitrust law has been inefficient in preventing any such pooling of interests or combinations?

Mr. SWIFT. I should think so.

Mr. DEWALT. In other words, haven't you stood in fear of going to jail if you did?

Mr. SWIFT. That is right.

Mr. DEWALT. Well now, added to that, you have had the regulation of the Food Administration in regard to certain of your projects, haven't you?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Have you made any objection to that, or found that onerous and difficult to comply with?

Mr. SWIFT. We have got along all right with the rules of the Food Administration, because that was along the lines of cooperation. They have cooperated, the manufacturer, with the producer, with the consumer, and it has worked out, to my idea, to a wonderful arrangement. That is what I should call cooperation where it is more advantageous than ruinous competition.

Mr. DEWALT. And if that sort of system, as you have already said, could be made effective in normal times, you concede that that would not be at all objectionable?

Mr. SWIFT. I would prefer reasonable cooperation in the future, if there is power enough behind the arrangement to make it work.

Mr. DEWALT. The only thing that I am trying to lead to, Mr. Swift, is this: As to whether, in your opinion, as the man who has had charge of this large business for this number of years, you can truthfully say that the laws as now existent, and the regulations as

now made, have been efficient in preventing some of the abuses that are alleged to have obtained.

Mr. SWIFT. They have.

Mr. DEWALT. Therefore does it follow that, in your opinion, there is no necessity for such legislation as is now proposed, as a business man?

Mr. SWIFT. In my opinion there is no necessity for any more laws about the packing business; and the enforcement of the present ones is ample protection for the Government or anybody else.

Mr. DEWALT. Now, when you make that answer, are you able to rid yourself of what I would call the personal equation in the matter? That is, do you make the answer as a business man, considering the business conditions not only for yourself but for others of like interest and for the public at large; or is your answer predicated upon the fact that you are in the packing business and look at it only from that point of view?

Mr. SWIFT. Can I have that read?

Mr. DEWALT. It is a pretty long one; yes.

(The reporter read the question as follows:)

Now, when you make that answer, are you able to rid yourself of what I would call the personal equation in the matter?

Mr. SWIFT. I am.

Mr. DEWALT. You are able to answer regardless of that?

Mr. SWIFT. Yes, sir.

Mr. DEWALT. Now, one thing more, and then I have finished. My friend here to my left asked you about this license provision. You said you thought it would put you people out of business. You were not very affirmative about that—that is, to my mind—now, let me read you just one or two sentences. On page 5, section 3, of this proposed bill, it says:

That all persons, partnerships, associations, or corporations engaged in the operation in interstate commerce of stockyards or the adjuncts, appurtenances, and facilities hereinbefore enumerated, or engaged in the purchase, manufacture, storage or sale in interstate commerce of live stock or the products derived in whole or in part through live stock or the slaughtering of live stock, shall operate exclusively under license issued by the President, through such agency or agencies as he may designate, and upon such terms as he may prescribe in such license, and under such regulations as he may from time to time prescribe; and provided also that the license shall be revocable at the discretion of the President.

Now, you have already said you are a business man and have been in charge of this enterprise for 16 years; will you tell me—tell this committee—if you can, how you could run your business under a license which was to be revocable at the sweet will of an individual—or the bitter will of an individual, if you would rather put it that way—at any time that he might revoke it and choose to revoke it, and under such terms and conditions as he might prescribe from time to time? Can you tell this committee how in the world you would ever adjust your financial affairs under any such condition?

Mr. SWIFT. It could not be done. It is impossible.

Mr. DEWALT. It would simply be an impossibility under business conditions?

Mr. SWIFT. Yes.

Mr. DEWALT. That's all.

The CHAIRMAN. Some of the gentlemen who have been attending the hearings asked me during the recess whether we would have a session to-morrow. Under the rule we can not have it unless we agree to it unanimously, and they asked me to let them know as soon as we could, and I think it is better now to let them know if it is possible.

Mr. ESCH. I think we ought to have one day off out of two weeks. I have a great deal of work to do to-morrow.

The CHAIRMAN. Then it can not be done on unanimous consent. Now, if there are any gentlemen here who were making those inquiries, you may know that there will not be a session of this committee to-morrow for this purpose, or any other purpose that I know of.

Mr. MONTAGUE. Will you please tell me who were present, farmers, packers, and the food commissioners, who arranged the price of 17½ cents for hogs?

Mr. SWIFT. Twenty or thirty farmers and producers.

Mr. MONTAGUE. Do you distinguish between "farmers and producers"? I don't know that I clearly catch that, Mr. Swift. It is very plain to you, but to one who knows nothing about the pork-packing business it is not.

Mr. SWIFT. I put them in a bunch—the farmers, the producers, with the representatives of different societies and associations. You might say these people came from the West. There were 15 or 20 men in the business from the West—the leading men of the whole United States.

Mr. MONTAGUE. Farmers?

Mr. SWIFT. Yes; and feeders and college men and presidents of different live-stock associations—a general representation of the industry from the West.

Mr. MONTAGUE. Is there any way that this committee could be supplied with the names of the men who participated in that conference?

Mr. SWIFT. Why, certainly.

Mr. MONTAGUE. I don't mean it now, but can you put it in later in your statement?

Mr. SWIFT. You will have to ask the Food Administration for that. They have all that in their minutes. It is in their minutes and we have no control of it, but they will give it to you. It has been published in the newspapers.

Mr. MONTAGUE. The agreement, though, finally reached was between the producers and the farmers on one side, and the packers on the other, was it not?

Mr. SWIFT. Helped by the buyers of the allied nations, England, France—they were all represented.

Mr. MONTAGUE. Did they have representation there, too?

Mr. SWIFT. Yes; through the Food Administration. These representatives did not come into this meeting but they had their arrangements with the Food Administration; then the Food Administration would tell us in this meeting what these buyers from England and the other places had to say, and how much products they wanted. That is all conducted under the management and arrangement of the Food Administration. They were dealing with the packers on

one side and these men from the West on the other side, and the allied buyers behind them, you might say.

Mr. MONTAGUE. And about how many farmers were represented at that meeting?

Mr. SWIFT. There were from 15 to 20 or more.

Mr. MONTAGUE. And that was a voluntary agreement that was entered into in this conference?

Mr. SWIFT. Yes, sir.

Mr. MONTAGUE. There was nothing compulsory about it?

Mr. SWIFT. No, sir.

Mr. MONTAGUE. It was effective, was it not? It controlled the prices, did it not—that agreement?

Mr. SWIFT. Well, in a way. This was a minimum price. There was sort of an understanding that the packers would see that there was a minimum price on No. 1 hogs of \$17.50 in Chicago—that it would not go below that.

Mr. MONTAGUE. In Chicago?

Mr. SWIFT. Yes, sir; and other places in proportion. There was a scale arrangement—a schedule. Now, it was more or less a one-sided arrangement. The packers were permitted—we didn't make a contract, mind you; we didn't give our word; we didn't give our bond that this was going to happen, but we said as far it was in our reasonable control we would maintain this minimum price of 17½ cents for hogs. Now, there was no maximum price agreed upon. It was understood that the selling was—

Mr. MONTAGUE (interposing). That you should not give less than that?

Mr. SWIFT. That we should not give less than that. Now you see they had the advantage.

Mr. MONTAGUE. What do you mean by advantage?

Mr. SWIFT. The people selling live stock—the hogs. Oftentimes they got more than that price. Some days they would get 18 cents a pound, and it must have averaged during the whole life of this understanding over 18 cents a pound. Though it was not a fixed price between the two interests; it was a minimum price. It was made at the request of the Food Administration.

Mr. MONTAGUE. Yes; I understand that. I didn't mean to intimate that it was initiated by the packers at all. Were there any independent packers there?

Mr. SWIFT. There must have been 25.

Mr. MONTAGUE. So, practically, the demand market was there, wasn't it—represented in that conference?

Mr. SWIFT. The production market.

Mr. MONTAGUE. The demand market of this country and the world was represented in that conference, wasn't it?

Mr. SWIFT. The demand market and the production market, both.

Mr. MONTAGUE. And of the allied nations, to put it more accurately—they were represented in that conference?

Mr. SWIFT. They were.

Mr. MONTAGUE. And the supply market was represented by the farmers, their agents or representatives?

Mr. SWIFT. It was.

Mr. MONTAGUE. And the understanding arrived at there has been effective? In other words, a level of price has obtained?

Mr. SWIFT. It has worked out all right.

Mr. PARKER of New Jersey. It was practically a wholesale sale for the whole season, instead of a sale in each particular market.

Mr. STEPHENS. Would it interrupt you if you would ask him that question right there, whether or not this would not indicate that the packers could ordinarily control prices?

Mr. MONTAGUE. Do you think if the independent packers had not been present at that conference, and that what is known as the five big packers had been there and entered into this agreement, they could have maintained that level of prices?

Mr. SWIFT. No, sir; it required all the people that were there to make it effective.

Mr. MONTAGUE. Do I understand from that that you make this assumption: That if the five big packers had deliberately agreed to fix that price in response to the suggestion of the Food Commission, you could not have maintained it unless you had had the cooperation of the independent packers?

Mr. SWIFT. That is right.

Mr. MONTAGUE. And of the allied-nation purchasers?

Mr. SWIFT. Yes, sir; and the buying power of the allies; yes, sir.

Mr. MONTAGUE. Does that cover what you had in mind, Mr. Stephens?

Mr. STEPHENS. I think that covers it.

Mr. DECKER. Would you mind, Governor, if I asked one question there?

Mr. MONTAGUE. Certainly not.

Mr. DECKER. You have repeatedly laid stress on this fixed-price arrangement depending upon the power of controlling allied buyers.

Mr. SWIFT. On the power, I say—that is, it means controlling the allied buyers, controlling the producers, controlling the packers, controlling everything.

Mr. DECKER. Well, now, in other words, the large buying of the allies gave you a substantial outlet for a large part of your products, did it not?

Mr. SWIFT. That helped out. It was in concentrated hands. Now, if it had been scattered all over the whole place, the arrangement could not have been handled properly.

Mr. DECKER. But still, the allied buy was not the largest part of the buying that was done of your products?

Mr. SWIFT. Well, it is a big item.

Mr. DECKER. It is a big item. So it just naturally occurs to a layman, if the concentration of buying by the allies, which was only a small part of the total buying of your product, could stabilize the price of what you sold, why couldn't the concentration of the buying of five packers stabilize the price of what the farmers sell?

Mr. SWIFT. Well, these allied—this large buying of the allied governments, that took care of all the surplus. That made all other matters in connection with it—

Mr. MONTAGUE (interposing). The surplus, as a matter of fact, is the largest factor in determining the price, is it not?

Mr. SWIFT. Certainly.

Mr. MONTAGUE. If you haven't got anything left over, you can't sell it.

Mr. SWIFT. Certainly not. That was sort of a guarantee that we could keep our goods moving and keep them going in the business.

Mr. DECKER. Well, if all the five packers would not buy to a large capacity, it would leave some surplus on the farmers' hands, wouldn't it, once in a while?

Mr. SWIFT. Well, what object would the packers have in that?

Mr. DECKER. I am thinking now of their power to run the price down—not their desire to. I have my doubts whether you have done it aways—I mean in the last few years—but I can't get it out of my head that you could do it any time that you wanted to—just to be frank with you—and I think the majority of the people in the country think you could do it, and if you have got any way to explain why it could not be done, I think your time would be well spent in going into it.

Mr. SWIFT. If Swift & Co. staid out of the market and refused to buy live stock, it would not hurt anybody but Swift & Co. The live-stock market of the United States would go on and the live stock could be sold readily and there would be no interruption in the business at all. Now, that is one point. If the five packers should violate all laws and go into a combination to make concerted action and should refuse to buy, that would have its effect, but they are not doing that sort of thing. They are not in concerted action. They have no combination, and they are not violating the laws.

Mr. DECKER. That is all, Governor, excuse me.

Mr. PARKER of New Jersey. What effect would it have on their business if they did that?

Mr. SWIFT. They would be down and out.

Mr. MONTAGUE. I believe I am through, sir. The ideas that I had have all evaporated by this time.

Mr. PARKER of New Jersey. I beg your pardon, Governor. I did not intend to interrupt you.

Mr. HAMILTON. A while ago, in answer to a question put to you, I think, by Mr. Stephens, you told the difference in price—you told the price that the Washington retailer of beefsteak might get. You said that if the purchaser sent it home by a messenger it might cost him 60 cents a pound and if he delivered it himself it might cost him 40 cents a pound. That point in your statement struck me that I would like to ask you what you got from the retailer of that steak?

Mr. SWIFT. We sell it in the form of a whole carcass, an entire carcass, and that varies. It is running along 18, 19, or 20 cents a pound—in the neighborhood of 20 cents a pound on an average for the past month.

Mr. HAMILTON. Then, under present conditions of governmental regulation the retailer is charging a profit—when I say profit, I mean that he pays expenses out of that so-called profit—charging the difference between 20 cents, say, at the outside, and 60 cents at the outside. I don't know what he is getting per pound—the retailer for that steak. I am simply adopting your figures.

Mr. SWIFT. Yes, sir; but those prices might be in a way approximately correct; but you must remember—

Mr. HAMILTON (interposing). I am adopting your figures.

Mr. SWIFT. Yes, sir; but you must remember that this butcher has to cut off the neck of this animal; he may have to sell that for 10

cents a pound; there are some soup bones in there that will have to sell for 5 cents a pound.

Mr. HAMILTON. Let me interrupt you there. What do you get for it?

Mr. SWIFT. That all goes into the whole business.

Mr. HAMILTON. You get 20 cents for the whole carcass?

Mr. SWIFT. Yes, sir; then, they have a lot of scraps, one thing and another, that they get 1 cent a pound for; and they don't get anything for some of it.

Mr. HAMILTON. Now, at the hotels and restaurants they are charging about a dollar for what they call a small steak, sometimes with the trimmings thrown in. What do you get for the meat that constitutes one of these small steaks?

Mr. SWIFT. That all comes out of the carcass; 20 cents a pound.

Mr. HAMILTON. What does the retailer get for it?

Mr. SWIFT. Something like 60 cents.

Mr. HAMILTON. Not for a little steak—60 cents a pound? How much is there in one of those so-called small steaks? This is a mere matter of the acquisition of information. How much is there in one of these small steaks? You have observed them, of course.

Mr. SWIFT. They might weigh half a pound. But, you see, that is boneless meat that might be called tenderloin.

Mr. HAMILTON. It might be called that, yes. [Laughter.]

Mr. Dewalt asked you about the statement that has been made that this \$100,000,000 relief fund might also operate for the relief of the packers. The story as I get it is substantially this: That the packers, anticipating the continuation of the war beyond the time when it actually was, theoretically at least, wound up, laid in a considerable supply of salted meats, and that this salted meat is not acceptable to the English on the English market, and this salted meat might be disposed of in southeastern Europe as a part of the relief provided for by the \$100,000,000 appropriation. How does that accord with your understanding?

Mr. SWIFT. Well, that is not quite right. The English people are buying in the market in accordance with a normal arrangement. They are going to keep on buying the pork.

Mr. HAMILTON. Do they like salted meat?

Mr. SWIFT. Oh, yes; they buy Cumberlands and Wiltshires and English breakfast bacon. It is a big item, and they continue to buy right along.

Mr. HAMILTON. I don't anticipate you are going to furnish these people in southeastern Europe with breakfast bacon at 70 cents a pound.

Mr. SWIFT. I am not talking about that; no; but I say what England takes as a volume in the amount of pounds is a big item, compared with a certain per cent of our shipments—a big item. You could sum it up this way: That the war has stopped, and to a certain extent that has shut off a part of the packers' demand from a certain direction, but, then, there is an additional demand opened up, so that one hand about washes the other. There is no particular significance in the matter.

Mr. HAMILTON. So it is a matter of no special interest to the packer?

Mr. SWIFT. There is as much new demand come in as old demand has dropped out.

Mr. HAMILTON. Now, as to one other matter—as to this price fixed at $17\frac{1}{2}$ cents a pound—I notice in reply to one of the other Republican members of the committee interrogating you, you said the price was $17\frac{1}{2}$ cents, on the average, to the farmer. Now, take the average farmer down in southern Michigan, where I live; the buyer buys his hogs, and he buys as much under that $17\frac{1}{2}$ cents as he can, doesn't he?

Mr. SWIFT. Yes, sir; but the farmer gets the newspaper, and he sees that hogs are selling for $17\frac{1}{2}$ cents in Chicago, or $17\frac{1}{4}$ or 18. They figure that out pretty close.

Mr. HAMILTON. The farmer gets the newspaper, yes, and he sees the price of steers, but he is not a shipper in carload lots, and in 5,000 or 6,000 of them, generally speaking, there is some one man who does the buying and assumes sort of a benevolent attitude toward the farmers and tells them how much it is going to cost him to get to the market and what a great expense it is.

Mr. SWIFT. He is what you call a dealer or shipper.

Mr. HAMILTON. He is a dealer, and he deals always, of course, for his own interest.

Mr. SWIFT. Yes.

Mr. HAMILTON. I was wondering how near the farmer came to getting the $17\frac{1}{2}$ cents.

Mr. SWIFT. Well, that varies. They buy them about as cheap as they can. Sometimes they get them half a cent off. That pays the freight and shrinkage, you know.

Mr. HAMILTON. That is a typical condition all over the country, isn't it?

Mr. SWIFT. Yes; they are buying horses; they are buying chickens and poultry and everything on the same sort of scheme—different people.

Mr. HAMILTON. You stated awhile ago, I think it was yesterday, that you were doing considerable advertising in 1918—more in 1918 than you had done in 1917—and that you had been progressively increasing your advertising expenditures. Well, now, in 1918, for illustration, you had a market for about all the stuff that you were using, didn't you? You didn't really need to advertise to create a public taste, did you?

Mr. SWIFT. Well, that all helps create an outlet.

Mr. HAMILTON. But you didn't need to spend several—how many millions was it—\$800,000, wasn't it?

Mr. SWIFT. \$1,700,000.

Mr. HAMILTON. About half of that was, as I understood you to say in answer to the food control—not the food control—

Mr. SWIFT (interposing). The Federal Trade Commission.

Mr. HAMILTON. The Federal Trade Commission's statement; really you did not need to advertise in order to find a market for your product at that time, did you?

Mr. SWIFT. Not at that time, but I will need it next year or the year after. I am accumulating a good-will fund.

Mr. HAMILTON. Have you ever considered the psychological element involved in liberal advertising in periodicals and newspapers,

in this: That the use of considerable space at good prices rather inclines the management of the newspaper or periodical to be kind and considerate in its editorial mention?

Mr. SWIFT. We have never considered that.

Mr. HAMILTON. What does it cost to occupy a page of advertising in, say, Colliers? Did you ever advertise in Colliers?

Mr. SWIFT. I don't know the price.

Mr. HAMILTON. Or the Saturday Evening Post? We will take one of the Chicago papers; what does it cost to occupy a page in one of the Chicago papers?

Mr. SWIFT. I don't know the price.

Mr. HAMILTON. Have you got your advertising man here?

Mr. SWIFT. Yes, sir.

Mr. HAMILTON. He can tell you.

Mr. SWIFT. Mr. Hebb is here.

Mr. HEBB. It depends on the Chicago paper. They run all the way from \$250 to \$1,000.

Mr. HAMILTON. A page?

Mr. HEBB. A page, yes. We are not using page space, however; we are using a very small part of that, and not every day.

Mr. ESCH. Mr. Swift, it has been the custom of some of the large packers to maintain their own icing plant, and at such plant, stationed at convenient points, they ice not only their own cars but the cars of competitors. Isn't that right?

Mr. SWIFT. Yes, sir. That is being gradually changed since the railroad has gone into Federal control. Those arrangements are being eliminated now, and it is all being done by the Railroad Administration.

Mr. ESCH. Well, it is not the result of the action of the Federal control or Railroad Administration. It is due to one of the conclusions of the Interstate Commerce Commission in the matter of private cars, decided July 31, 1918, in the following language:

That reicing charges on shipments of fresh meat and packing-house products and dairy products to be based on the cost of the ice and salt used, the labor, investment in icing plants, etc., together with a reasonable profit; that the carriers only should perform the service of reicing and make charges therefor, and that shippers of these products should not be permitted to perform the service of reicing their own and competitors' shipments en route, either directly or through corporations controlled by them.

Since that decision was handed down, on the 31st of July, 1918, what has your company done toward relinquishing its separate icing plants?

Mr. SWIFT. Well, it is all being arranged. It is all being done. It has taken more or less time. Some of the arrangements were made immediately, and some of them have been strung out for one reason or another, but it is all being accomplished.

Mr. ESCH. And it is likely to be accomplished in the very near future?

Mr. SWIFT. Oh, yes. I am not sure that it is not all finished now. I rather think it is.

Mr. ESCH. How many icing plants did you have?

Mr. SWIFT. Six or eight.

Mr. ESCH. Was the matter of reicing by the big packers a cause for criticism in the minds of the Federal Trade Commission?

Mr. SWIFT. I don't know that it is.

Mr. ESCH. Did they not find that where it held or had a reicing station and reiced the refrigerator cars of a competitor it gave to the big packer access to the manifest or bill of lading of the competitor, and also might be used as an instrumentality in delaying the movement of the competitor's car?

Mr. SWIFT. I didn't hear anything like that, but it might be in there. But that don't seem reasonable to me that the car would be delayed. That car is in the control of the railroad company and they are going to carry it through on the train.

Mr. ESCH. How about the argument about having access to the competitor's waybill? I take it, if my recollection serves me right, it is mentioned in the report of the Federal Trade Commission.

Mr. SWIFT (examining pamphlet). Yes, that is in here.

Mr. ESCH. Well now, if it is in there and it is one of the bases for this legislation, it is now already eliminated by the decision of the Interstate Commerce Commission of July 31, 1918.

Mr. SWIFT. Yes, sir.

Mr. ESCH. There is much evidence in part two of the Trade Commission's report that has directed relation to my State of Wisconsin and I want to ask you a few questions with reference to it.

The American Society of Equity is a large farmers' organization which has a large membership in my State and in the States of the Northwest. One of its policies is to create cooperative societies among its farmer constituents, not merely in the building of warehouses, but even to the construction of packing houses. That attempt was made in my own city and the plant failed and the farmers who contributed lost thousands of dollars.

Mr. SWIFT. What city was that?

Mr. ESCH. La Crosse. They attempted to start another at the city of Sauk City, and got no further than the original organization.

Mr. SWIFT. What was the second name?

Mr. ESCH. Sauk City. There is being operated in the City of Madison what is known as The Farmers' Cooperative Packing Co., and on page 116, of part 2, of the Federal Trade Commission's report there appears this testimony as given by Charles H. Nay, his manager—this is located at Madison:

Question. What sort of competition do you get from them (the big packers)?—

Answer. Well, I find this condition, that we are discriminated against. It is as plain as can be, only it is done in a matter of one house being in one week with instances of a discrimination on beef, and that same week one of the other houses will be in with pork prices down. The next week they will interchange.

Question. You mean by other houses, one of these five big ones?—Answer. One of these five.

Question. Will be selling beef below what it costs you?—Answer. Yes, sir; below what it costs them.

Question. Do you know the basis on which they figure their margin and figure their cost?—Answer. I do.

* * * * *

Question. And they take turns in selling hogs at a loss? One will be selling cattle at a loss and another selling hogs at a loss at the same time?—Answer. At the same period. I have a little schedule that I worked up here, for invoices obtained, if you want it.

Question. Yes; we would like to have it.—Answer. This was taken on the week starting 12/31/17, and ending 1/5/18. This week in particular Plankington & Co. (a Swift concern) were the beef men. During that week Plankington Packing Co. put in a class of cattle, straight stock, from 300 to 400 pounds,

which we were getting 13½ cents for. We were classing them as 13½-cent cattle. Morris & Co., same beef, was classing them at 13 cents and 14 cents, and the others didn't have any in our territory. Plankington put in this same class of cattle at 10½ cents that week.

Question. Have you any other instances?

* * * * *

Answer. That same week, on pork, Plankington's price on pork was in range with ours, and Armour & Co. were in with pork at 22 cents. Our price was 24 cents, 24½ cents, 23½ cents, and 22½ cents on the grades.

Question. For the grade you were selling at 24—what was Armour selling that week?—Answer. Twenty-two cents.

Question. What was Plankington selling at that week on that grade?—Answer. Twenty-four cents. * * * It is an interchange. Now, the next—following week after that—to take that week. I haven't the exhibit of it, but the following week after that, Cudahy did all the beef business in Madison.

(Public Hearings on Meat Investigation, pp. 2344-2349.)

That is part of the testimony appearing on page 116, part 2, of the Federal Trade Commission's Report. On the following page there is another illustration taken from Salt Lake City, the companies operating there being the Utah Packing & Provision Co.—

Mr. SWIFT (interposing.) Mr. Esch, could we treat only one, without getting involved in any other now?

Mr. ESCH. No.

Mr. SWIFT. You see we get into two things. I understand that this says that the large packers, first one, would sell beef cheaper one week and then the next week it might be another, and the same way with pork. There might be one company selling pork cheaper and next week it would be another company.

Mr. ESCH. That was the charge.

Mr. SWIFT. And he assumes that that is by arrangement between the packers. Well, now, such a thing as that, doing anything like that, would be absolutely impossible. It would be impossible to make any such arrangement. If such a thing was done, every person in Wisconsin would know about it and the employees of every packer would know about it, and there is no possibility of considering that for a minute, and from the fact that there is always some one of them lower than the others that shows that there is no combination or co-operation. If that don't show competition, I would like to know how in the world you are going to show competition—if that don't show it.

Mr. ESCH. It was cited evidently to show that by some prearrangement the big packers on successive weeks cut under the current price of such products, and of course if they kept it up the ultimate result would have been that this Farmers' Cooperative Packing Co. would have gone out of business.

Mr. SWIFT. I know, but this man Hay, he is either stupid or else he don't mean what he is talking about—to think that five large firms would go to country towns like that and make an arrangement that violates every law that I ever heard of, and to my idea he has presented the most concrete case of competition that it would be possible for anybody to present.

Mr. ESCH. Now, the other case cited—

Mr. SWIFT (interposing). One other point, the fact that they are selling at different prices certainly is no evidence of collusion or combination. It is evidence to the contrary.

Mr. DEWALT. May I ask a question there, Mr. Esch?

Mr. ESCH. Yes; go ahead.

Mr. DEWALT. I don't know that you do, but it seems you lose sight of the gravamen of this charge, to wit, that for one day or one week your house would undersell on beef, but on the same day you get a higher price on hogs by combination, and the next week you would undersell on hogs and have a rise on beef; that is the gravamen of the charge.

Mr. SWIFT. But how are you going to get the prices all the same unless you have got a combination—unless there is collusion?

Mr. DEWALT. That is what he alleges. He alleges that there must be combination by reason of the fact that you lower the price on your beef and at the same time somebody else will raise the price on hogs, and therefore you will be even Stephen. That is the gravamen of the charge.

Mr. SWIFT. Yes; but I say that that proves there is no combination.

Mr. ESCH. Will you finish that explanation now? Another charge is made with reference to the beef-packing companies at Salt Lake City. I will read from page 117 of the report:

The Cudahy Packing Co. has a slaughtering plant at Salt Lake City, the Western Packing Co. (owned by Swift & Co.) has a branch house there, and the Colorado Packing & Provision Co. (owned by Armour & C.) also has a branch house.

Following April, 1917, these three large packers took turns in selling meat products below cost in order to drive the Ogden Packing & Provision Co. and the Utah Packing & Provision Co. out of business. The situation in the market has on several occasions become so oppressive that the Utah Packing & Provision Co. had been compelled to close down its plant.

What have you to say about that?

Mr. SWIFT. I would say that that showed active competition.

Mr. ESCH. Well, this intimates more than that; it intimates a pre-arrangement or agreement to successively undersell this Utah concern with the purpose of ultimately driving it out of business. Is that true or not?

Mr. SWIFT. We don't do anything of that kind. That is what you call "rotation" with the competitors. Now, we do not do a thing of that kind. If we did, there are a hundred employees of Swift & Co. that would know it, and some of them would be down here and tell you gentlemen about it, or they would tell the Federal Trade Commission or somebody else. There would be plenty of affidavits around to this effect.

Mr. ESCH. They cite another case of "rotation" as occurring in San Antonio, Tex., where independent slaughtering companies compete with branch houses of Armour & Co., Morris & Co., Swift & Co., and Wilson & Co. (Inc.). Do you know anything of that instance?

Mr. SWIFT. It just shows competition. That is evident in every city in the United States, so far as I know.

Mr. VEEDER. Mr. Swift, we can't prove a negative, and we have had no opportunity to examine the evidence or cross-examine the witnesses to find out what these facts are or what they have.

Mr. ESCH. Of course, this part 2 has been available to you for some weeks.

Mr. VEEDER. Yes, sir; but we have had no chance to ascertain the facts or cross-examine witnesses making those statements. The facts

are false as to any rotation or any agreement. These parties have run up against low prices, and that fact, that the prices varied among the packers, is evidence of competition. Now, as to the agreement, there was none. There was no agreement. Now, if he had had a chance to have cross-examined the witnesses, to examine the papers that they printed, we could have developed the truth. We had no such opportunity.

Mr. ESCH. Why, this report gives the names, the fresh meat men for Armour and Swift, W. C. Felzer for Armour, J. C. Gates for Swift & Co.

Mr. SWIFT. That says that Armour was selling his meat cheap one day and Swift was selling it cheap another day?

Mr. ESCH. Yes, that is a charge of rotation.

Mr. SWIFT. Well, that is competition on the face of it.

Mr. VEEDER. The men that were employed by Swift & Co. will deny those propositions. That man May was on the stand, but we had no opportunity to cross-examine him or to develop the situation.

Mr. DEWALT. Then if he denies that, that would be denying competition, wouldn't it?

Mr. VEEDER. No, that would be denying the agreement for competition, perhaps. Swift & Co. denies the rotation part of it.

Mr. DEWALT. I understand.

Mr. ESCH. Now we have a very large dairy output in our State, as you know, Mr. Swift; in fact, I think it is the ranking State in the Union now in dairy products.

Mr. SWIFT. Yes, sir.

Mr. ESCH. You have cheese dealers in Wisconsin, do you not?

Mr. SWIFT. We buy cheese of the dealers up there.

Mr. ESCH. Is Pauly & Pauly the firm with whom you deal, or Blodgett?

Mr. SWIFT. Mr. Chaplin says Pauly & Pauly.

Mr. CHAPLIN. We buy from them and a great many other people besides.

Mr. ESCH. Now is the price of cheese fixed in Wisconsin, do you know?

Mr. SWIFT. We dicker for it. It is by arrangement between the seller and the buyer.

Mr. ESCH. It is fixed, is it not, by what we call the Plymouth Exchange, Plymouth being the cheese center up there?

Mr. SWIFT. I don't know about that. We have to go by the customer. I am not familiar with the details of the cheese business.

Mr. ESCH. So you do not have any cheese factories of your own in the State?

Mr. SWIFT. We do not.

Mr. ESCH. Nor creameries?

Mr. SWIFT. We do not.

Mr. ESCH. Nor condensers?

Mr. SWIFT. Libby-McNeill & Libby went up there, and they have started half a dozen factories for condensed milk, as I understand it—if not half a dozen, several.

Mr. ESCH. Is there any apportionment of territory with reference to butter, cheese, and dairy products?

Mr. SWIFT. There is not, as far as I know.

Mr. Esch. This report seems to indicate that there is some, and I read as follows from page 145:

The area of greatest milk production, aside from those eastern dairy districts which supply fresh milk to the cities and the cheese producing sections, is practically covered by the creameries, condensaries, and cream buying stations of the big packers and their subsidiaries. Fifteen hundred and sixty-one creameries, condensaries, and cream stations of the packers were reported to the commission; of these 1,262 were of the Swift group and 293 of the Armour group.

The territory covered by each packer group is practically distinct. Of the 1,361 locations covered by packer-controlled concerns there are only 29 towns where cream buying stations of two or more packer groups are located. In 25 of the 29 towns the A. S. Kinimouth Produce Co. has stations in the same towns as Swift & Co.

What have you to say with reference to that apportionment of territory?

Mr. Swift. It says:

The territory covered by each packer group is practically distinct.

Mr. Esch. Yes.

Mr. Swift. That means that one packer will be operating in one territory and another in another territory.

Mr. Esch. And not two in the same territory, except in some 29 towns where there are common buying stations, cream buying stations.

Mr. Swift. That shows a good many exceptions, in the case of 29.

Mr. Esch. Out of 1,561.

Mr. Swift. Well, isn't that natural, that if a packer goes to one territory, another packer isn't going to jump into the same town when he can go to a different town where there isn't any packer. In other words, isn't it better and more natural that each one should have a town for himself than that they both pile into one town, and then leave many towns without anybody?

Mr. Esch. It may be entirely natural. The question is whether it may be better in the end.

Mr. Swift. It is not done by arrangement on our part. It is only by business intelligence.

Mr. Esch. And it is working out.

Mr. Esch. And it is working out successfully, is it, in that way?

Mr. Swift. As far as I know. I know that Libby, McNeil & Libby want to start a condensed-milk factory. They are in the tin-can business, and that is one of the main features, and they naturally go and hunt up a little town that is not occupied, that has nobody in it; that is the only way they can succeed; that is, get in some territory that is not covered.

Mr. Esch. I take it the same practice obtains as to poultry and eggs.

Mr. Swift. Yes, sir; I think so. I find on page 154 this statement [reading]:

There are 89 poultry and egg packing plants and 222 buying stations thus far identified by the commission as being owned or controlled by the big packing interests. Of these, the Swift interest owns or controls 52 packing plants and 180 buying stations—

Mr. Swift. That is, poultry.

Mr. Esch. Eggs and poultry [continues reading].

The Armour interest owns or controls 26 plants and 31 buying stations; Morris interest owns 2 plants and 6 stations; Cudahy, 2 plants and 2 stations; Wilson, 7 plants and 3 stations.

Mr. SWIFT. What territory is that? Wisconsin?

Mr. ESCH. Oh, no; all over the country, I take it, because on page 155 there is given a list of the Swift interests covering, I notice, the States of Illinois, Iowa, and Missouri.

Mr. SWIFT. I do not know anything about that. Certainly it would be inadvisable for us all to get in the same place.

Mr. ESCH. If you got in the same place, would competitive conditions likely obtain?

Mr. SWIFT. I should think so; yes, sir.

Mr. ESCH. So you stay apart in order that the laws of competition do not become operative.

Mr. SWIFT. I would not say that. They stay apart so that we can get a supply. If one packer is getting a supply we can not go there and get it away from him, and we have to go somewhere where we can get a supply.

Mr. ESCH. Would this result, as to cooperative plans of farmers' organizations in their failure in some instances—and I do not say that their failure is due to the competition of the big five; it may be due to the ignorance of the packing business or to the location, or things of that kind, and the further fact that like this Madison plant, some one claims they are being driven out of business because of rotation. Would not that be another reason why there is this feeling on the part of the producer against the packer?

Mr. SWIFT. I think it might be; yes.

Mr. ESCH. If so, it would be desirable that the truth be found and made known.

Mr. SWIFT. Yes. Evidently Mr. May seems to know all about everybody else's business—he seems to know all about how they manage, according to the way he says, and, in my opinion, he has made a mistake, and he ought not to circulate that sort of wrong information.

Mr. ESCH. The Director General has ordered the construction of 100,000 cars, and during last year I think there were only 14,000 of that number that were put into service. Do you know whether in that 100,000 cars there were any refrigerator cars ordered?

Mr. SWIFT. There were some of them refrigerator cars; I know that. I do not know how many.

Mr. ESCH. There were some ordered and have some been put into service out of the 100,000?

Mr. SWIFT. Some of those were refrigerator cars, but I have not got the details.

Mr. ESCH. Evidently the addition to the existing supply was not so material as to affect the conditions?

Mr. SWIFT. There has not been enough put in to relieve it.

Mr. ESCH. Does the State of Illinois prescribe a State inspection of meats?

Mr. SWIFT. The State of Illinois does not, as I understand it, but the different cities—the city of Chicago has an inspection of their own, and other cities in Illinois, as far as I know, have a local inspection of their own.

Mr. ESCH. Many States have got a meat inspection law?

Mr. SWIFT. So far as the States are concerned?

Mr. ESCH. Yes.

Mr. SWIFT. A great many have not.

Mr. ESCH. And many municipalities have not ordinances with reference to slaughtering within their boundaries.

Mr. SWIFT. A great many of them have not any ordinances and a great many of them do not enforce what they do have.

Mr. ESCH. I am leading up to this question: You receive meat inspection by the Federal authorities?

Mr. SWIFT. Absolutely.

Mr. ESCH. I think that costs us about \$3,000,000 a year to the Federal Government. Has the installation of Federal inspection of meat increased your costs?

Mr. SWIFT. It has.

Mr. ESCH. Materially?

Mr. SWIFT. \$2,000,000 a year loss on meat condemned.

Mr. ESCH. That is for your firm alone?

Mr. SWIFT. Yes, sir.

Mr. ESCH. While the smaller packer, who does not do an interstate business, would not be subjected to that charge or cost?

Mr. SWIFT. That is right. Our live-stock buyer when he goes down in the stockyards to buy cattle has to buy these cattle subject to the Government man who is there, and he looks over these cattle and he may say, "There is one bullock I will not allow you to kill. I will not allow Swift & Co. to kill that bullock." We will throw that bullock out and will not buy him, while a butcher or small dealer, who does not have Government inspection, will buy that bullock and sell him.

And then, again, we have an additional inspection at the packing house that we call "post mortem," and what they do not catch one way they catch another, and we are satisfied with that. We do not call it especially a hardship; we believe it is necessary protection and all right and advisable, but I am merely mentioning these circumstances to show you the discrimination between the two points.

And I would also say that people who buy meat that has the Government inspection have a great many precautions thrown about the meat than there is under any other inspection.

Mr. ESCH. I think that is all, Mr. Chairman.

The CHAIRMAN. Mr. Swift, I hope I will not be very long, as nearly every imaginable question has been asked you throwing light on the business. I understood you to say that your refrigerator cars or beef cars are operated at a loss?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Your fiscal year comes up to the 2d of November, does it not?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Can you give an estimate of what your loss was up to that time last year—losses in operating refrigerator cars or beef cars?

Mr. SWIFT. About \$400,000.

The CHAIRMAN. I understood you also, Mr. Swift, to say that it is absolutely necessary for you to have these refrigerator cars and beef cars in order to properly serve your customers, to properly market your food products?

Mr. SWIFT. Yes, sir. It is about as necessary to have the cars as it is to have the beef that is in them.

The CHAIRMAN. In other words, then, it is an essential service?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. I understood you to say that one reason why these cars ought not to be turned over to the railroads is that they do not keep them sanitary like you do?

Mr. SWIFT. That is one of the reasons; and they do not keep them repaired up to 100 per cent.

The CHAIRMAN. They do not keep them in as perfect a state of physical repair as you do, and therefore delayed service might result?

Mr. SWIFT. That is right.

The CHAIRMAN. And another is that they are not kept in such a sanitary condition as you keep yours?

Mr. SWIFT. Certainly.

The CHAIRMAN. Mr. Swift, is it not a fact that the public must reach the conclusion that if fresh meats were shipped in insanitary cars that it would have a very disturbing and damaging effect upon the meat industry, in so far as it was handled in insanitary cars?

Mr. SWIFT. Yes, sir. I want to be understood—I do not say that the cars might be insanitary to the extent that it would affect a person's health. I simply said the cars would not be as clean. As to how far that goes, I am not prepared to say.

The CHAIRMAN. I understood you to say "insanitary."

Mr. SWIFT. Unclean.

The CHAIRMAN. You mean the same thing?

Mr. SWIFT. Yes.

The CHAIRMAN. An unclean car is not in a sanitary condition, is it?

Mr. SWIFT. Certainly not.

The CHAIRMAN. Then, if the public thought they were receiving their meat in unclean cars it would not be regarded as a satisfactory service?

Mr. SWIFT. That is right.

The CHAIRMAN. Furthermore, would not insanitary or unclean conditions have a tendency to affect the health of the public or such portion of it as would eat the meat coming from such unclean cars?

Mr. SWIFT. It might.

The CHAIRMAN. It might do it.

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Therefore, if there is a service, by private cars or otherwise, that are kept sanitary and clean—and that is well known—then the public will, of course, demand that such service be given to them by all dealers and manufacturers of meat, if it was possible to do so? I think that follows, naturally.

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Then, Mr. Swift, I am taking your statement—and that of Mr. Armour corroborates it—as being absolutely true about the heavy losses you sustained in providing yourselves with sanitary and clean cars and keeping them in good physical condition so as to perform the functions they are intended to perform?

Mr. SWIFT. Yes.

The CHAIRMAN. The question with me is, can persons or companies less able to stand a loss than you and Mr. Armour or such other packers as use these cars, economically provide themselves with such service as you have? I do not want to say "independent packers."

because I understood from your statement and that of Mr. Armour that they are all independent, and "independent" is not descriptive—that you are all competitors.

Mr. SWIFT. Yes, sir.

The CHAIRMAN. And I say, would it be possible or probable that these weaker concerns that have not these cars, that can not supply themselves with such cars and operate them as you do, and commercially compete with you—

Mr. SWIFT. I think it could be done; I think it is possible and practicable.

The CHAIRMAN. I do not mean they could not do it, but can they do it and then compete commercially with you in the same markets?

Mr. SWIFT. I think they could. In the first place, there are a great many of these small packers who do not want cars. They did have some cars and they sold them. They can get along better without them. There are a great many in that class.

The CHAIRMAN. Do they ship in these sanitary and clean cars of yours?

Mr. SWIFT. We quite often loan them, on request; yes, sir.

The CHAIRMAN. Do you mean that you loan or lease or rent to them? That you would let them have them without compensation; your competitors?

Mr. SWIFT. You see, the compensation that we get is in mileage of the car, and the mileage comes to the same money whether it is loaded with our product or whether it is loaded with a competitor's product.

The CHAIRMAN. You are paid by the railroad companies.

Mr. SWIFT. A mileage.

The CHAIRMAN. A mileage on the miles that the cars run?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. And therefore, if you do not need a car to move your own business, and you let a competitor have the use of it, you get a rental, so it is not a loan in the sense of a free gift to the competitor; it is profitable to you to loan it?

Mr. SWIFT. Yes, sir. If we have many cars to spare or any idle cars, our railroad department would get very busy to get somebody to operate those cars, no matter whether it is a competitor or a friend. We must keep our cars rolling or we suffer serious loss.

The CHAIRMAN. But during which time it is bringing you in a revenue?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. When we speak of "loaning"—outside of loaning money—for instance, if I loan a man an umbrella I do not expect him to pay for it—I am only bringing this down to loaning the use of the car to a competitor.

Mr. VEEDER. The mileage is paid by the railroad company.

The CHAIRMAN. I know, but the owner of the car gets it. So that a company not owning these cars does not get the service of them except when it is profitable to you to let that company have them. In other words, if you do not let them have the cars, you would lose this money that you get by letting them have them.

Mr. SWIFT. Perhaps so.

The CHAIRMAN. Is there any doubt about it?

Mr. SWIFT. No, sir; that is correct.

The CHAIRMAN. You do not loan those cars, you do not loan cars at a time that you need them for your own service, or own use, do you?

Mr. SWIFT. Sometimes we do; yes. If certain people say, "Please let me have a couple of cars or a half dozen cars," we oftentimes let them have them when we would rather have them ourselves.

The CHAIRMAN. I understood you to say yesterday, in a general way, that the five packers did not have enough cars.

Mr. SWIFT. No.

The CHAIRMAN. And that the country did not have enough, and therefore when you do not use them, when you can use them, it seems that it is a kind of a contradictory statement, when you say you have not enough.

Mr. SWIFT. Oh, no. That is true, we use our own cars first—we have the preference on them, but I say there are exceptions. We might in an extreme exception let a man have a few cars even though we needed them ourselves.

The CHAIRMAN. That is the exception and not the general rule?

Mr. SWIFT. That is right.

The CHAIRMAN. I want to ask you, further, Mr. Swift, as to the by-products. I do not want to go into detail, but in a general way, is it not an economic advantage to the business—the grower, the producer, the packer, and everyone else—to get all the commercial value there is in an animal out of it?

Mr. SWIFT. Certainly.

The CHAIRMAN. Use it to its highest commercial possibility?

Mr. SWIFT. Certainly.

The CHAIRMAN. These by-products, as I understand them, are all useful and valuable that have been obtained from the slaughtered animal outside of and above the use of them for edible food; is that not true?

Mr. SWIFT. Most all of them.

The CHAIRMAN. I understood Mr. Armour the other day to make a statement that there are certain of these by-product values that can not be utilized at all except where there is a very large volume of slaughtering or killing of a very large number of cattle.

Mr. SWIFT. That is right.

The CHAIRMAN. If there were not such a packer as that, then that item, whatever it was—I do not know how important it was—would be lost to the public?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Is it not really good policy to have the animal slaughtered in such a way as to make the highest and fullest use of all by-product possibilities?

Mr. SWIFT. I should think so.

The CHAIRMAN. The earnings, the profits, coming from these by-products are as valuable as the meat profit you get out of the edible portion of the animal—I do not mean per pound, but I mean, do you not make the same percentage of profits if you manufacture any of those by-products, that you get out of the same amount of capital used in preparing the fresh meats, as a rule?

Mr. SWIFT. That is pretty hard to answer.

The CHAIRMAN. I only mean in a general way. I suppose that some of the income of large companies like yours is from these by-products—I mean a profitable income, is not that true?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. That any packing company that has not the capacity to utilize all the by-products of the animals he packs is not operating his packing facilities so as to give the public the full and entire benefits of all that is contained in the animal by way of by-products, and that has not and can not possibly realize as much profit out of the same number of animals slaughtered and packed as one like yours or Mr. Armour's, that is large enough to do all of this by-product business, is not that in a general way true?

Mr. SWIFT. Likely.

The CHAIRMAN. So that if we had no packer in the country large enough to justify him in putting in by-product machinery, then the by-products would be lost entirely to the country, to the industry, unless the by-product value could be realized by some independent company—I mean not associated with the packers—that would purchase the materials coming from the slaughtered animals and manufacturing them into by-products; is such a thing as that practicable or feasible, and could that be done?

Mr. SWIFT. To have other by-product companies handle the products?

The CHAIRMAN. Yes.

Mr. SWIFT. No; you can not do that.

The CHAIRMAN. Can not do it?

Mr. SWIFT. It is a matter of transportation.

The CHAIRMAN. They could do it as to hides, could they not? They could manufacture hides?

Mr. SWIFT. For hides they could, but not for others.

The CHAIRMAN. But many of these things would nominally be lost?

Mr. SWIFT. Yes.

The CHAIRMAN. Therefore, looking at it in the largest and broadest way, it is to the public interest to get all of the by-products that are in the animal without at the same time losing any of the value and the use of the animal as an edible product; is not that true?

Mr. SWIFT. Yes.

The CHAIRMAN. I suppose the five large companies have the capacity to do these things, to realize all of these by-product values which the country ought to have, and which ought to be realized; is that in substance correct?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. And that they are remunerated, but is it possible for those small packers all over the country to so increase their plants and facilities as to secure the by-products' values from the slaughtered animals that are being secured by the five large packers? I say, is it possible for all of them to do so?

Mr. SWIFT. They have the handicap that you mention; they have some slight advantages that would help equalize the situation.

The CHAIRMAN. They have some. But is there any way to operate those small packing concerns in competition with the large ones that are, as I think, rendering a valuable service to the country and the world in realizing these by-product values to the fullest extent—

without the advantage of being able to manufacture by-products and reasonable revenues and profits? Is it possible for them to compete with the five large companies in the packing business by and large?

MR. SWIFT. Some of those small companies are very successful, indeed.

THE CHAIRMAN. I mean, supposing there is a fight between them, that there is a real struggle for existence between the large packers and the small packers, the large packers having these advantages—and this, as I say, I admit freely, as I think it has been admitted by the world in commerce—that ought to be maintained. But is it possible for the small packers who have not these advantages, and who can not obtain them in the very nature of things, in strong competitive conditions, is it possible for them to compete with these great combinations of capital in the packing business who do have the facilities—I am not saying that is unlawful, illegal, or immoral—but is it possible for them to do so?

MR. SWIFT. They are competing; there are a great many of them in existence and a great many very successful ones.

THE CHAIRMAN. But isn't there a struggle, is it not a fight for life and death between the small ones? I understand they are working very harmoniously. I do not mean by agreement or violating the Sherman law, but that there is not a condition of war between them: I think that is your own position?

MR. SWIFT. There is active competition, so far as I know.

THE CHAIRMAN. But it is not trying out to the extent that they are being exterminated?

MR. SWIFT. There have none of them been exterminated that are now in existence. [Laughter.]

THE CHAIRMAN. I suppose not. I am only talking about the general possibilities.

MR. SWIFT. All I can say is that it has been a matter of a great many years, and it has developed the fact that there is a certain percentage of the business that can be done by the small packers successfully. You have had people come here before you who have been very successful.

THE CHAIRMAN. We have had a number of packers very much opposed to this bill, called "independent," but no more independent than you are. Is it not perfectly natural that they would want to be friendly with gentlemen who could crush them?

MR. SWIFT. I do not know. When you find he makes a profit right along, and his bank account keeps increasing, then you see that he has got a successful business, and that is the condition of a great many small packers.

THE CHAIRMAN. Do you produce compound lard?

MR. SWIFT. Yes, sir.

THE CHAIRMAN. That does not naturally follow—in other words—that is not a product of the slaughtered animal?

MR. SWIFT. It used to be. When we first manufactured compound lard we had to use about 25 per cent of oleo sterine; that was necessary. We have been making compound lard to make tallow from oleo sterine. Since then that has been gradually eliminated, until there is not much used now. But our trade demands compound lard and we have to carry it. We have to make it to fill our orders.

The CHAIRMAN. You are in the business, and you can not quit making it?

Mr. SWIFT. That is right.

The CHAIRMAN. But could not compound lard and cottonseed oil be manufactured by all the packers just as well as anybody?

Mr. SWIFT. They can not.

The CHAIRMAN. Then they essentially belong to the packing business?

Mr. SWIFT. We have our selling arrangements and our salesmen and everything for selling lard. If the people do not want to buy lard and want to buy compound, we have one in competition to the other, and we sell them compound lard, and that does not increase our selling expenses any.

The CHAIRMAN. Could not the manufacturer of compound lard, as such, not connected with the packing business, also carry the lard produced by the manufacturer of animals for his sales and sell it just like you do?

Mr. SWIFT. There are a good many other outside compound lard manufacturers. It comes to a very big percentage of the whole. I should think that 50 per cent for a rough guess of the compound manufactured is manufactured by others than packers. I do not think the packers do over 50 per cent of it, but it is quite a necessary adjunct to their business.

The CHAIRMAN. But it does not come naturally from the use of the animal; you can get the value of the animal and all its by-products.

Mr. SWIFT. They have to buy cotton seed oil to make the soap; that is necessary.

The CHAIRMAN. Do they have to make soap?

Mr. SWIFT. Yes; absolutely.

The CHAIRMAN. In order to use some of the animal by-products to its highest economical value?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. And you do not want to limit your soap manufacturer to the extent of using your by-products from the animal that can be used?

Mr. SWIFT. You can not make soap and compete with it on the market unless you go and buy cottonseed oil and put in the cheaper grades; you have to have cottonseed oil to run a soap factory.

The CHAIRMAN. Is it not a fact that the larger packers, or some of them, either through themselves or their subsidiary companies, own and operate cottonseed oil mills?

Mr. SWIFT. Yes, sir; that is a means they have of getting this cottonseed oil.

The CHAIRMAN. Could they not get it without that?

Mr. SWIFT. Not to the same advantage.

The CHAIRMAN. Are there not some subsidiary companies owning and operating cotton gins?

Mr. SWIFT. That is part of the cottonseed oil mill.

The CHAIRMAN. The cottonseed oil business, including the ownership of cottonseed oil mills and cotton gins, all ties in together with your use of the cotton oil for compound lard and soap-making purposes?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. If you could use the cottonseed oil mills and cotton gins for commercial purposes that are perfectly germane and really a part of the operation of cottonseed oil mills or cotton gins, is that not perfectly legitimate and would it not be good economy to do so?

Mr. SWIFT. What would you do with it if you did not use cottonseed oil for soap and compounds?

The CHAIRMAN. You buy gins for the purpose of getting the cotton seed for the purpose of using them in cotton-oil mills for the purpose of securing the oil to be used in the manufacture of soap and compound lard?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Then cotton seed, at the present time, is a by-product of cotton, and the seed does not cost the farmer 1 cent to produce, because he can not produce the fiber without producing the seed?

Mr. SWIFT. Does the farmer admit that, that the seed does not cost him anything to produce?

The CHAIRMAN. Not as to cultivation. There is two-thirds seed and one-third lint in weight, as a rule. It costs something to ship cotton in the seed, but in order to buy the cotton seed for a gin you have got to buy the cotton fiber; is not that true?

Mr. SWIFT. No, sir; we do not own any farm or cotton.

The CHAIRMAN. You will buy cotton if you own a gin. How do you get your cotton to gin if you do not buy it?

Mr. SWIFT. We gin it for the account of the farmers. The cotton is his and the seed is ours, and we adjust the value.

The CHAIRMAN. You gin it for the farmer?

Mr. SWIFT. Yes.

The CHAIRMAN. And you do not buy the seed cotton?

Mr. SWIFT. No.

The CHAIRMAN. I know any number of cotton gins in my country that do so—I mean, the owners of the gins will buy the cotton in the seed. But anyway, in the handling of the cotton fiber, the fiber goes through your gin, and so far the cotton seed is a by-product.

But why could you not legitimately and commercially, morally and every other way, deal in the lint as well as the seed? Why could you not buy it and sell it and manufacture it, and could you not follow it right on down to the retail distribution of cotton cloth?

Mr. SWIFT. That is a different thing; that is the dry goods business; that is not the packing business.

The CHAIRMAN. Any sort of business—you follow it right along, and if you can do it better than anybody else then you ought to have the right to do it.

Mr. SWIFT. I do not think so; I do not think that is the packing business.

The CHAIRMAN. Why not?

Mr. SWIFT. We do not want to do it; in other words, it is not to our advantage.

The CHAIRMAN. In other words, it is not inviting at present?

Mr. SWIFT. That is right.

The CHAIRMAN. It might happen that the cotton seed would become the chief value in cotton; in other words, the by-products value

might be so increased as to become the chief value? The by-products value of meats might in time reach the point when the meat itself, the profits in the meat that is eaten by the people, would become the by-product in commercial value? What I would call your attention to, Mr. Swift, is the tendency of linking up all kinds of business just simply because one organization can do that business, perhaps, as well or better than any other.

Let us get back to the transaction question, because I believe all those who appeared before admitted that the railroad transportation is something we can regulate. But you say that the railroads can not operate these refrigerator cars so as to keep them clean and sanitary and give expeditious service, and have them open and free to everybody alike.

Mr. SWIFT. They can not equal the present efficiency.

The CHAIRMAN. Could not your operating force take the same cars and operate them on the railroads exactly the same way they do for you—I am not saying they will—but could they not operate them exactly the same way they do for you?

Mr. SWIFT. They would not be our operating force any more when they went to work for the railroads.

The CHAIRMAN. Could they not perform the service just as well for the transportation company as they can for you—is it not a transportation service?

Mr. SWIFT. Well, it would not work out that way.

The CHAIRMAN. But you do not answer me whether they could do it or not. Of course, if they would not do it, that would be just as damaging as if they could not. But can they not do it as a part of the transportation service?

Mr. SWIFT. They can not do it. At present those men who look after the running of these cars, control the loading, and can get them loaded and unloaded quickly, and they could see that there was no more delay in the service than would be necessary. You see, they control the loads now, being Swift & Co.'s men. When that is taken away from them, and it is put over to the railroads, that would cause a different control, and they have not the same authority and the same efficiency over them any more.

The CHAIRMAN. Could not the railroads employ these men and perform the service, and would they not have all the authority over them that you have as an employer?

Mr. SWIFT. There would not be the same incentive to give service as there is now.

The CHAIRMAN. If they got just as good wages, why could there not be?

Mr. SWIFT. You would find the shippers would be using the cars for storage on side tracks and everything else.

The CHAIRMAN. I am not talking about what they will do, or something of that sort. I am talking about what they can do. According to your admission, Mr. Swift, just as long as these refrigerator and meat cars are owned by the packing companies they must be operated at a very considerable loss, because here is \$800,000 by two of you last year—according to your own statement, and I am not questioning that—you are operating below cost and at a loss. Of course, a railroad company could not be forced to operate the cars at a loss, and

ought not to be. But it makes it impossible for anybody else to operate them without loss.

Mr. SWIFT. They would probably put the freight up as soon as they got them and they would pay that way.

The CHAIRMAN. Then the service could be performed?

Mr. SWIFT. No, sir; the only thing that would be performed would be the rates would advance.

The CHAIRMAN. So there is no possibility, according to your judgment, of having clean, sanitary cars for the carrying of refrigerator products of fresh meat in such a way as that even a railroad could not come out even on it?

Mr. SWIFT. I do not think so. The Interstate Commerce Commission have gone on record as saying that the packer ownership of refrigerator cars is the most economical solution of the whole thing.

The CHAIRMAN. I know they have; as you read it?

Mr. SWIFT. Yes.

The CHAIRMAN. I suppose they refer to the facts that are now being demonstrated; but the fact, Mr. Swift, that the owners of private cars get on an average a movement of 84 miles per day for such cars, of which you have the exclusive right to control, and do control; and that they only carry upon an average the refrigerator cars that other people must patronize 46 miles per day on an average, who can afford to patronize that kind of a movement in competition with almost twice the average movement. For some reason, I do not know what it is, there may be a perfectly natural reason for it and one that can not be avoided, but I can not see how the railroads are otherwise than rendering you a discriminating, favorable service.

Mr. SWIFT. If the railroads took over the packers' cars, would not that tend to bring the mileage down to 46 miles?

The CHAIRMAN. No; I think 84 miles would perhaps be reduced, but the 46 miles would be increased, and the general average of service would be just as it is now—not the highest, not the very best service.

I do not understand that you gentlemen object to stockyards being turned into railroad-owned yards or municipally owned yards. All you want is that the movement and shipment and the marketing shall be established; is not that correct?

Mr. SWIFT. That is right.

The CHAIRMAN. I suppose you admit, then, that at least in part the stockyards is in the nature of a terminal facility for transportation purposes, that if the stockyards were not owned privately, the railroads in performing the services would necessarily have to own some of the terminal facilities; that is, stockyards. I do not mean they would have to have market facilities, but to the extent of loading and unloading, feeding and watering the cattle, the railroads would have it to do; is not that so, in order to move transportation?

Mr. SWIFT. If they did not patronize the present stockyards they would have to have stockyards of their own.

The CHAIRMAN. Yes; certainly. In other words, it is transportation service. Now, do you say or believe that the railroads could not without injury to the industry own the stockyards wherever they exist, as a part of their terminal facilities—I am not talking about branch houses, I am talking about the live-stock yards.

Mr. SWIFT. I do not believe the railroads could improve on the present management of the stockyards.

The CHAIRMAN. I do not think so, either. But could not they do it without injury to the public?

Mr. SWIFT. No; I think there would be a deterioration in the service, but I have no objection to seeing it tried, if that is the plan.

The CHAIRMAN. Well, it is alleged—I do not personally know how those things are—that the ownership of stockyards by the controlling interests, by the large packers or any other kind of packers, is an advantage to the packers who have that ownership. I am not a witness; I do not know whether it is correct.

Mr. SWIFT. It must be a big advantage to the live-stock shipper.

The CHAIRMAN. Of course, if he did not keep any stockyard—but I said the packer, ownership, not railroad ownership. One man came in—I do not think he was a packer, who was opposed to either railroads or packers owning the yards who said they ought to be independently owned and operated in such a way as to be—

Mr. SWIFT. But he did not want to make any investment himself in them, I think.

The CHAIRMAN. That question was not raised, and it does not make any difference to us whether it was raised or not; that is not the question before us.

Your contention is—and I am not saying that it is not correct—that you had necessarily to, in view of the situation, expend a largely increased amount in advertising on account of the Federal Trade Commission's report being made public?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. That expense was charged to operating expenses, was it not?

Mr. SWIFT. That is a large amount only inasmuch as the volume in dollars is considered. When you take the percentage on the sales it only comes to fifteen one-hundredths of 1 per cent.

The CHAIRMAN. What I want to know is, whether or not this advertising—this excessive advertising, so much of it as was due to the Federal Trade Commission's report—was charged to operating expenses.

Mr. SWIFT. The whole thing was charged up as an expense.

The CHAIRMAN. That is, operating expense. You have no other expense, I suppose?

Mr. SWIFT. The advertising was not charged to operating expense. Not under the food control.

The CHAIRMAN. But that is only a part of your business?

Mr. SWIFT. It would be.

The CHAIRMAN. That is what I thought was true. Now, then, the Government's investigation through the Trade Commission was a heavy expense, and that had to be paid by the taxpayers and come out of the Public Treasury, and the other had to be paid by the patrons of Swift & Co.; that is, it goes in the expense.

Mr. SWIFT. But that is not a dead loss to us; we get returns for that.

The CHAIRMAN. I know you do. I do not think it is a loss to anybody except the persons who eat the product.

Now, Mr. Swift, there has been some talk about the appropriation of the \$100,000 for the purpose of buying food products, and that

the packers were interested in that. I have seen a newspaper article making that statement; I do not think there is any truth in it; but it said that this 50,000 tons of meat that is being bought by England—is that all pork?

Mr. SWIFT. That is all beef; 50,000 tons, 150,000 cattle.

The CHAIRMAN. Do they not own a large amount of pork?

Mr. SWIFT. No, sir; the pork has all been shipped. They are going to buy some more; they buy weekly.

The CHAIRMAN. That gives me information. And along the same line that I suppose somebody publishing things did not understand. It is claimed in the newspaper that the packers were being served in this way: That England did not want to and would not buy salted pork; that the people where this \$100,000,000 would be distributed would buy salted pork, and that therefore all the salted pork they now have in England or the packers have can be marketed, and that they have thereby created a market for the packers and supplied a deficiency in England—is that kind of pork not salted?

Mr. SWIFT. You would call it the "English cured pork."

The CHAIRMAN. That would be a great advantage to the packers, therefore, that this \$100,000,000 is indirectly being appropriated for the benefit of the large packers. I believe you say there is absolutely nothing in that report?

Mr. SWIFT. There is not.

The CHAIRMAN. And that it would not work out in a practical way to the benefit of the packers over and above what there is a demand for—all the product they now have and can hereafter prepare—so far as this present year is concerned?

Mr. SWIFT. That is right.

The CHAIRMAN. It is true that the committee can reject this bill in toto, wholly; they can reject any part of it, put in an amendment to it, and the House can do the same.

I got the impression from you and also from Mr. Armour that the licensing, with the restrictions that were put on, and the stabilizing of food distribution for the last year, since we got into the war and since the regulations went into effect, had been of very great public benefit to the consumer and producer of this country and the Allies all alike; is that your view of it?

Mr. SWIFT. I do not give the license credit for that. I give the cooperation of the Food Administration credit for that.

The CHAIRMAN. The license did not prevent it. I understood you that the restrictions had been lived up to in good faith by the packers; that is to say, you said that, did you not?

Mr. SWIFT. Yes; but during the war period the Government has not put any restrictions and conditions about the license that would handicap our work. It has all been worked out to mutual advantage during stress.

The CHAIRMAN. As I recall—it may not be exactly correct—at the end of the war it was announced by the President's proclamation the food-control law will cease to operate.

Mr. SWIFT. When the peace terms are signed?

The CHAIRMAN. I mean when the proclamation of the President announces that the peace has been made, that then the food-control law ceases to exist.

Mr. ESCH. About six months thereafter.

The CHAIRMAN. I do not remember exactly how it is. I want to ask you, as one of the largest packers in the United States, whether or not, if we have constitutional power to do so, it would not be advisable to extend in some form, not the present license, but some form of license or food control for this year 1919 until readjustments have taken place? You refer to the fact that there might be a great slump and then a great rise in price of meats, which would work an injury to everybody—the consumer, producer, and packer, and everybody else. Do you think the present license law might be modified and amended so as to avoid anything of that kind during the present year, without passing any other portion of this bill?

Mr. SWIFT. I think it would be advisable to extend the Food Administration control until some time after the signing of the peace.

The CHAIRMAN. There has been considerable criticism by some gentlemen appearing before the committee—not a packer—that the licenses which have been issued are not sufficient; in other words, they claim you made more money under the license than you did when you were not licensed.

Mr. SWIFT. We presented figures here yesterday showing our profits had been cut in half.

The CHAIRMAN. That is the way I understood you—that operating under license and under the food control, that you had not made as much money per unit of product or investment return.

Mr. SWIFT. About half.

The CHAIRMAN. About half what you did before?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. So that food control, so far as it has gone, has not operated to increase your profits—

Mr. SWIFT. It has cut down our profits very materially, but we are satisfied.

The CHAIRMAN. But as packers you would not object to the present license system or some modification that might continue during the present war or until the present conditions due to the war in foods and meats and meat products have been equalized so as to reach the normal. Do you not think that would be to the public interest?

Mr. SWIFT. We are in favor of extending the Food Administration control.

The CHAIRMAN. Can you suggest any amendment—do you think it is satisfactory the way it is—and it certainly would not be to your primary advantage.

Mr. SWIFT. It would not.

The CHAIRMAN. As judged by the past?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. You have another gentleman here whom you wanted to make a statement. How long would it take him?

Mr. SWIFT. It would take Mr. Weld two or three hours.

The CHAIRMAN. I will ask you one question: Is it not true that all expenses incurred in this business for whatever you do do connected with your business is charged up to operating expenses; does it not naturally have to go that way?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Therefore when you keep men here in Washington for publicity purposes or any other purposes, legitimately or otherwise, needful or otherwise, it is an expense to such a portion of the public as buy your products?

Mr. SWIFT. That is not an expense to the price of the product; we get full return for those expenses.

The CHAIRMAN. I have looked over your statement for the year ending November 2, 1918, and I do not find any item at all showing what your expense of operation is or what it consists of; in fact, I do not find any expense statement at all.

Mr. WINSLOW. If you are going into that, I move we adjourn.

The CHAIRMAN. The reason I asked that, is that I looked over this statement and I find no item of expenses—no itemized statement, no amount.

Mr. SWIFT. That is not that kind of a statement. This was gotten out on short notice, but our books have only been closed a few days, and it does not cover the expense of that proposition; it is not included in here.

The CHAIRMAN. This is a kind of a special or limited statement!

Mr. SWIFT. It is an advance sheet.

The CHAIRMAN. I did not find anything in it about expenses.

Mr. SWIFT. We have not had time to prepare this.

Mr. WINSLOW. It is all subject to the scrutiny of these Government boards.

Mr. SWIFT. They are, and it is certified to here by a reliable public accountant.

Mr. WINSLOW. And if there was anything disagreeable the Federal Trade Commission would find it?

Mr. SWIFT. If there was anything of that kind there it would have been out before now.

The CHAIRMAN. I hope Mr. Winslow did not come to any such conclusion that I was insinuating that because there was not any statement of expenses here that there was something wrong. I only could not tell from his statement where this, that some people call a "lobbying" expense. If I had, I would not have asked the question.

Mr. VEEDER. May I make this statement, that notwithstanding anything we say on account of Mr. Logan, on account of publicity or on account of advertising, we can not get any more for our product, because we spend more money than somebody else or than we did last year. We sell our product on the market and get what we can for it. These expenses necessarily go to reduce our profits of the shareholders, and reduce the amount left over to pay dividends. It does not go into the cost to the consumer.

The CHAIRMAN. Let me ask you—you are volunteering information, and I think you are about as able to do it as Mr. Swift. The less your expenses are, the less you can sell your product for, undoubtedly.

Mr. VEEDER. No; we can not sell our products for greater or less than we can get for it on the market; it is a question of the law of supply and demand. A——

The CHAIRMAN. As all of you are in a very close competitive condition, if expenses were reduced for whatever purpose they might be reduced, of course, you could sell the products to that extent, lower!

Mr. VEEDER. If in the long run we exceed the amount that we can afford to spend, we will go broke and out of business. But we can

not pass it on to the consumer; we pass it on to the stockholder; and sooner or later the company will go into bankruptcy.

The CHAIRMAN. And, therefore, I must draw the conclusion that it makes no difference how much expense you incur, just as long as you sell your products on the market equally with anyone else?

Mr. VEEDER. So far as our company is concerned, it is so.

The CHAIRMAN. It would not be so as to any other company?

Mr. VEEDER. Yes; and if it exceeded—

The CHAIRMAN. You deal in an absolute essential that the human family can not exist without, and if all the packers pursued such a course as that, they can make their expenses just what they are willing to make them.

Mr. VEEDER. If the packers become extravagant they will either go broke or—

The CHAIRMAN (interposing). Do you call that a matter of extravagance?

Mr. VEEDER. No, it is not extravagance for Swift & Co. to do it, so long as it does not reach a point where it affects the profits to the stockholders so they can not continue to do business. It makes no difference to the public what we spend money for, so long as it can not enter into the price of the product. An expense like this, which everybody has not got, can not be added to the price of the product. If everybody had this expense it would probably pass to the consumer, but where one company has a separate and different expense, which other companies have not, that expense can not be added to the price of the product, because our product has to meet the competition of the other companies that have not that expense.

The CHAIRMAN. Let me ask you, are not other packing companies maintaining similar expenses?

Mr. VEEDER. By no means—there may be one or two or three; I know of no others.

The CHAIRMAN. If it is an essential expense for your company, would it not become an essential expense for any of the other five companies doing business?

Mr. VEEDER. No; because no company, until it becomes so large as to have so large a business in Washington that it has to have a man to take care of it, can incur such expense.

The CHAIRMAN. I only refer to it because it was brought out in the discussion to-day. I mean to maintain unnecessary and not inherent expenses, and then charge it up to the public in this way, if you did not do that you could sell the products for that much less. The more you reduce your expenses the more you can reduce the price of the product, and what I want is to know—I believe Mr. Swift has stated that everybody who was here was under the expense of your company, and I have no personal interest in this—but the gentlemen who are doing such vast business, so essential to human existence and life, incur unreasonable and unnecessary and useless expense, if that is not a public injury to the extent of those who use the products, because they could reduce prices by that much.

Mr. VEEDER. No; it means the company would go bankrupt. We have got to assume that, not all companies are indulging in useless and unnecessary expense. Some companies are not, and therefore

some companies will undersell the company that is extravagant. with the result that sooner or later the company which is extravagant is going to go broke, it can not go any other way.

The CHAIRMAN. I am not here to have a debate with you, Mr. Veeder, because you understand this business; you have been raised in it, you know all about it, even to the extent of the Veeder pool. But it will be a long time before you can convince the public that unnecessary expenses are not of vital and material interest to the public in any public service corporation or any business which is so large as to involve the public interest in a general way.

I am not doing this to criticize your own particular company, or to question your motive, but such things as that put what they call a "bad taste" in the public mouth.

Mr. SWIFT. Yes, but, Mr. Chairman, how can you call this an unnecessary expense, when it amounts to only 0.15 of 1 per cent?

The CHAIRMAN. If it amounted to only one-hundredth of 1 per cent and was not necessary it would be an unnecessary expense.

Mr. SWIFT. But other large concerns in the United States find it advisable to spend 2 or 3. per cent on the turnover on advertising. Why can not we spend as much as they can?

The CHAIRMAN. I am not talking about ordinary advertising.

Mr. VEEDER. I would like to discuss that this "very bad taste" shows the necessity for obtaining some advice, if possible good advice. to enable us to place ourselves right, and so as to get rid of this "bad taste," I would rather think it was a necessary expense.

The CHAIRMAN. At the time this gentleman was employed two years ago for publicity purposes, there had been an investigation ordered. I have made this statement in a friendly way, and for no other purpose. I have no personal feelings about it, and I suppose this kind of expenses are being incurred by all the companies for the reasons given by yourself, but I do not believe the general public will take kindly to that kind of unnecessary and useless expenditure. In other words, I think they will regard it as useless and unnecessary.

Mr. Swift, I want to say this, in closing, so far as I can do it, that I think you have had a fair, square, open opportunity to state your case before this committee and the public.

Mr. SWIFT. I am positive I have, and I appreciate that.

The CHAIRMAN. And if you feel you have not had opportunity to do justice to yourself, or desire further explanation of the matter, you have the privilege of extending or making any additional statement, other than that you have made here. I do not mean a different statement, but any additional statement, so as you will feel you have had an absolutely square deal so far as this committee can give it: and I want to say, further, that you have manifested a disposition to be frank and answer every question, and not quibble. You have drawn your own conclusions, and some members might differ with some of your conclusions, but I am satisfied I express the sentiment of the committee when I say you have been frank, open, free and fair, so far as your examination has gone.

(Informal conference then occurred with reference to future appearances before the committee.)

(Thereupon, at 5.15 o'clock p. m., the committee adjourned to meet Monday, January 27, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Monday, January 27, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order. Gentlemen, when we adjourned Friday afternoon, there was a motion pending by Mr. Esch to allow Mr. Weld to have an hour and a half and with that time to complete the hearing. It was not acted on, and by request of Mr. Veeder and the attorney for Morris & Co., it was suggested that they see if they could not make some arrangement which would be satisfactory to both of them, and they have both reported to me that they have made an arrangement, and the arrangement is that Mr. Weld shall have the entire session this morning, or before the recess, and Mr. Morris to go on immediately after the recess whether Mr. Weld is through or not. That will extend Mr. Weld's time from an hour and a half to possibly two hours if we sit until 1 o'clock.

Mr. Weld, you may proceed to make your statement, I presume, without interruption until you have finished, stating first who you are and what your relations are to the legislation, if any.

STATEMENT OF MR. L. D. H. WELD, MANAGER COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO, ILL.

Mr. WELD. My name is L. D. H. Weld, and I am manager of the commercial research department of Swift & Co.

I might say that I have been with Swift & Co. about a year and a half. Prior to that, I was a student of marketing problems and commercial organization, and to a certain extent of the packing industry and the live-stock industry as a college professor. I was professor of business administration at Yale before I went with Swift & Co.

The CHAIRMAN. Yale University?

Mr. WELD. Yale University, yes, sir.

I want to take up the discussion of this subject under four heads.

First, I want to point out some of the weaknesses of the Federal Trade Commission report on which this legislation is so very largely based.

Second, I want to discuss the point that the bill is based on an erroneous theory that there is a combination among the packers; and

Third, I want to speak of the profits of Swift & Co. and their significance and their bearing on the problem at hand; and then,

Fourth, the Sims bill itself, the bill under consideration.

The CHAIRMAN. I may suggest that whatever you lack in getting through with your statement that you want to put in, you will have the privilege of extending your statement and putting it in later.

Mr. WELD. Thank you, Mr. Chairman.

The CHAIRMAN. I tell you that in advance so that you can be governed accordingly, if it should affect your purposes in any way.

Mr. WELD. Thank you.

The first point I want to make is that this proposed legislation is based on a one-sided and unscientific investigation and report of the Federal Trade Commission.

In the first place, of course, it is only a partial report. There are six parts still to come. There have only been a summary and part 2, as I understand, that have been issued so far, and so you have not the full facts before you even, as a result of the Federal Trade Commission investigation.

It has already been pointed out that the investigation itself was an ex parte one, a one-sided investigation, and that the packers were not given adequate opportunity to present the facts or to explain their side of the case. Mr. Swift developed the point that we frequently offered cooperation and explanation, and offered, even before the investigation began, to cooperate fully and to throw open our books and our records to the Federal Trade Commission.

That is more important even than that is the fact that only such material was used by the commission as would appear to make out a case against the packers.

This is well illustrated by the point that in taking papers from our files, the commission used only such scraps of correspondence, or such single letters, as would appear to bear out or make a case against the packers. They would take a single letter from a file, and the other letters in the file would give an entirely different meaning, the one letter in itself giving an absolutely wrong impression of the facts under consideration.

I do not suppose that any industry in the country has ever been subjected to such an investigation as was carried on against the packing industry in this respect; that is, in going through the personal files of the executives and taking out only such scraps of correspondence as could be used to appear to make out a case against the industry being investigated.

The report contains many unfair statements and is replete with innuendo, inaccurate comparisons, arousings of suspicion, and so forth, and I would like to give you just two or three instances of these unfair statements and wrong interpretations of the facts.

I would call your attention to the matter of "wiring on" which was discussed beginning on page 89 of the Federal Trade Commission report, Part II.

Mr. Armour in his statement explained what is meant by wiring on; that is, a shipper sends goods to one market; he is dissatisfied with the price that he is offered for his cattle, say, in that market, and ships them to another market. Wiring on means that the packer buyer in the first market wires to the packer buyer in the second market the price that was bid for the cattle.

The intimation is that the purpose of that is to keep the buyer in the second market from offering any more than was offered in the first market, and the Trade Commission specifically says:

The packer buyers at the second market bid at prices no greater and often less than offered the shipper in the first market.

Now, in the first place, this practice of wiring on is in itself perfectly legitimate, as Mr. Armour explained. It is carried on in every business. For example, take a big concern like Marshall Field. That

company has a buying office in New York and one in Chicago. Suppose I go to Marshall Field in New York and offer them a supply of goods at a price, and the Marshall Field buyer in New York does not buy the goods, and I say, "Well, I will go to Chicago then and see if I can not sell to Marshall Field there." It is the most natural thing, and a perfectly legitimate thing, for the Marshall Field buyer in New York to wire to Chicago telling what price the goods were offered to him for, and what price he bid for the goods.

Now, that practice is carried on. It is not carried on to any great extent by Swift & Co.; in fact, we have been gradually discontinuing it because of the prejudice against it; not because we do not believe in it, because it is an absolutely legitimate thing to do.

But, I want to call your attention to the letters and telegrams that were introduced by the Federal Trade Commission in its report. It has about three pages of letters, all taken from Swift & Co.'s files, which are designed to show, first, that this wiring on practice is very common; and, second, that the prices paid in the second market are no higher than and generally less than the prices in the first market.

Now, the point is that in the first place, these letters that are introduced are not cases of wiring on at all. With one exception, the very first one put in, which is a real case of wiring on, all the others are records of completed transactions; that is, where goods have been sent to Kansas City for example, and forwarded from there to Chicago and sold in Chicago, then our Chicago buyer will notify the Kansas City buyer what they actually sold for in Chicago, comparing that with the price bid on them in Kansas City.

In other words, these are not examples of wiring on at all. They are records of completed transactions, and of course, that is perfectly legitimate information to give; and as I have said, even wiring on would be legitimate.

Now, calling your attention again to the statement made by the Federal Trade Commission that the "packer buyers at the second market bid at prices no greater and often less than offered the shipper in the first market," we find that the Trade Commission, in going through our files, took copies of several letters that it did not reproduce in the report.

These letters absolutely disprove the statement of the Federal Trade Commission to the effect that the packer buyers at the second market bid at prices no greater than and often less than those offered the shipper at the first market, thus causing him to lose the freight and the shrinkage in the weight of his cattle.

Mr. ESCH. What page are you reading from?

Mr. WELD. At the bottom of page 89 is that statement.

For instance, here is one letter, for example, on 15 loads of grass steers that went to Fort Worth first, and the bid there was \$7. The seller held them for \$7.50; was not satisfied with \$7 and forwarded them to St. Louis. The prices paid at St. Louis were \$7.65 by three different packers. The prices were the same but \$7 was the bid in Fort Worth and \$7.65 was actually paid in St. Louis.

Here is another case where the bid in St. Joseph was \$11.75 and where the selling price in Chicago, the point to which they were forwarded, was \$13, with two animals out at \$12, so that the price

paid in Chicago was much higher than the price bid at the first market.

I have a number of these cases and I would like to introduce them with my statement.

The CHAIRMAN. You may put them in as a part of your statement. (The papers referred to follow:)

CHICAGO, November 7, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Barse forwarded from Ft. Worth Saturday, the 3rd, 15 loads grass steers, sold St. Louis as follows:

Bid Ft. Worth Saturday, the 3rd, 15 loads grass steers, 7.00; held at 7.50.

Sold St. Louis Nov. 7th, 238 cattle 712#, 7.65 Morris; 120 cattle 721#, 7.65 Armour; 91 cattle 727#, 7.65 Swift.

Yours, respectfully,

(Sgd) W. LEAVITT.

NOVEMBER 16, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR:—Referring to my letter of Nov. 14th reporting on 2 loads natives forwarded from St. Joseph Nov. 13th, billed W. F. Clay, please cancel this letter and substitute the following:—2 loads W. F. Clay cattle arrived Thursday from St. Joseph and were sold at Chicago Nov. 16th as follows:

Bid on St. Joseph market 11/13, 2 loads natives avg. ard. 1350#, 11.75; sold Chicago 11/16; 2 loads natives 1300#, 13¢ with 2 out @ 12¢.

Yours, respectfully,

W. LEAVITT.

CHICAGO, December 31, 1917.

Mr. CHARLES H. SWIFT,
General Office.

S. Nelson, speculator, shipped from St. Paul Thursday, the 27th, one car cattle; sold Chicago Monday the 31st, as follows:

Bought St. Paul Thursday 12/27; sold Chicago Monday 12/31, 23 cattle, 8.75; 15 steers, 918#, 9.25, Daniels; 4 cows, 897#, 7.50 Armour; 3 cows, 883#, 6.00, Armour; 1 bull, 600#, 7.00 Libby.

Yours, respectfully,

(Sgd) W. LEAVITT.

CHICAGO, October 25, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR:—Place & Geritts forwarded from Milwaukee Wednesday, the 24th, 3 loads steers sold Chicago to-day as follows:

Bid Milwaukee, 10/24; 30 steers, 9.25; 10 steers, 7.50.

Sold Chicago, 10/25; 1 load, 9.85, Kellar; 1 load, 9.75, Kellar; 1 load, 10.00, Swift.

Yours, respectfully,

(Sgd) W. LEAVITT.

CHICAGO, June 23, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Landers & Hess forwarded from St. Louis Wednesday, the 21st, 1 car native steers—sold Chicago as follows:

Bid St. Louis June 21st, 1 load native steers, bid 9.40; afterwards could not get price.

Sold Chicago June 23, 1 load native steers, 9.75 S. & S.

Prey Bros. forwarded from St. Joseph Tuesday, the 20th, 3 loads pulp cattle—sold St. Louis as follows:

Bid St. Joseph, Monday, 6/19, 3 loads pulp cattle, bid 9.25; held at 9.50.

Sold St. Louis, Wednesday, 6/21, 3 loads pulp cattle 1158#, 9.00, Morris.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, June 26, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Clay Robinson forwarded from Omaha Thursday, the 22nd, 4 loads cattle—sold here to-day:

Bid Omaha Thursday, the 22nd, 4 loads good heavy dehorned white faced steers, 10.50.

Sold Chicago, Monday, the 26th, 4 loads good heavy dehorned white faced steers, 10.65, S. & S., with one steer out at 9.50.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, September 27, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: National forwarded from St. Louis Tuesday, Sept. 26th, 2 loads native steers, sold Chicago to-day as follows:

Bill St. Louis Sept. 26th, 3 cars 50 native steers, 9.25. Afterwards could not get price.

Sold Chicago, Sept. 27th, 50-1162#, 9.50, Armour.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, November 24, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Moody Com. Co. forwarded from St. Louis, Thursday, Nov. 23, to Chicago the following cattle:

Bid St. Louis, Nov. 23rd, 34 native ylg. cattle, 6.25.

Sold Chicago Nov. 24th, 13 steers, 1045#, 7.10, Wilson; 15 ylg. cattle, 754#, 6.35, Swift; 6 ylg. cattle, 754#, 6.00, Swift.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, November 24, 1916.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Johnson Bruber forwarded from St. Paul, May 9th, 26 steers as follows:

Bid St. Paul, May 9th, 26 steers, speculators, 10.50, with 5 out which did not bid Thursday's market.

Sold Chicago May 11th, 26 steers, 11.10, Morris.

Gall Bros. forwarded from St. Paul, May 10th, 1 car, 22 steers, as follows:

Bid St. Paul, May 10th, 22 steers, 10.75.

Sold Chicago May 11th, 22 steers, 11.50, Morris.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, June 27, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Austin, Hamil, and Dickson forwarded from St. Joe, Monday, June 25th, 3 car natives, as follows:

Bid St. Joe, 6/25, 2 loads, weigh 1,600#, 13.45; 1 load, 13.55.

Sold Chicago, 6/27, 3 loads, 1,480#, 13.65, Armour.

Yours, respectfully,

(Signed) W. LEAVITT.

CHICAGO, August 8, 1917.

Mr. CHARLES H. SWIFT,
General Office.

DEAR SIR: Milton Marshall forwarded August 7th from St. Louis 2 cars native steers as follows:

Bid St. Louis, 8/7, 2 cars native steers, 12.60.

Sold Chicago, 8/8, 2 cars native steers, 13.00, Swift.

Yours, respectfully,

(Signed) W. LEAVITT.

Mr. PARKER, of New Jersey. Just state generally the dates.

Mr. WELD. These are dated 1917. The first case I cited of Fort Worth—

Mr. PARKER, of New Jersey (interposing). I do not care for all the dates, but just generally.

Mr. WELD. 1917. I see there are some here in 1916. They are all either 1916 or 1917, and most of them are in 1917. You understand that these were letters, copies of which were taken by the Federal Trade Commission, but which were not reproduced in its report, and which in themselves absolutely disprove the statement made by the trade commission at the bottom of page 89.

Of course, when I was a scientific student and relied on Government documents to a certain extent in my investigations, when I found in the treatment of a subject even a single instance like this, it would tend to discredit the whole report in my mind.

I might cite, as another instance, the matter referred to by Mr. Armour with regard to the prices of compound in Pittsburgh, where the trade commission alleges that there was a price agreement between the packers, but fails to explain that that price, which was identical among all sellers, was the result of the Food Administration's orders to get together and fix the price, especially price of cottonseed oil and the differential over cottonseed oil.

The statement in the Federal Trade Commission report is, of course, an absolute misinterpretation of the facts.

I might also call your attention to the discussion of the centralized buying system, as a good example of—well, I might call it misrepresentation of facts, but perhaps better of insinuation and innuendo. This is on page 42 of the trade commission report.

This whole matter is written up as though there were something reprehensible in the practice of having our head buyer in Chicago govern the buying in all the markets on each day.

There is, of course, nothing illegitimate at all about having a central buying department keep in touch with the buyers in the various markets.

As I have said, the whole thing is written up as though there were something reprehensible about it.

It also gives the impression that this head buyer in Chicago absolutely fixes the price in the various markets.

It is referred to here and speaks of the instructions sent out, "to buy steady or 10 higher or 10 lower," as though those were absolute instructions to buy at those definite prices.

Now, such is not the case at all. It means buy 10 higher or 10 lower, if you can. We can not govern the price of live stock and we do not try to.

I would call your attention in that connection to pages 96 and 97 as good instances of the method employed by our head buyer in Chicago in giving instructions.

Take at the top of page 97; the second telegram there says:

Try buy hogs lower and improve spread. We are trying buy 15 to 20 lower.

You see there are no specific instructions there, and even if he had not said "try" and said "buy hogs lower and improve spread," it means to do so, if you can.

The next one says:

Try buy hogs lower and improve spread. We are trying buy 15 to 25 lower.

There is nothing at all illegitimate about that, for the head buyer in Chicago to keep wiring the buyers in the different markets, and in the second place, for him to tell them to try to buy steady or buy lower, if he can.

I merely call attention to that because the whole thing is written up by the Trade Commission to throw suspicion about the practice and to give the impression that there is something illegitimate about it.

Mr. PARKER of New Jersey. What is meant by spread? I do not think that has been explained.

Mr. WELD. That is used in different senses. We often speak of it in ordinary discussions of marketing as the spread between the cost price and the selling price; that is the usual meaning. Sometimes we speak of the spread between markets, but the usual meaning is the spread between what we have to pay for the animals and what we are able to get for the meat.

Mr. PARKER of New Jersey. Yes.

Mr. WELD. If we are selling meat at a loss, as we often do, we naturally try to increase the spread.

Another good example of misrepresentation of facts is the discussion of cream buying in the country.

That was taken up somewhat in the committee the other day. There are a number of letters and telegrams reproduced from Swift & Co.'s file indicating that there are or have been price agreements among local buyers in the country, and that Swift & Co. has been trying to prevent such agreements.

Now, in the first place, the discussion of this begins on page 144. This discussion shows that Swift & Co. has a large number of cream buying stations and creameries, and that Armour has only a few.

The point is first made that there is an attempt to divide territory; that there must be an agreement to do so.

I think that was sufficiently explained the other day. You understand that there are hundreds of thousands of these shipping points, and, naturally, if we have established a cream buying station at one point Mr. Armour, in establishing a cream buying station, naturally goes on to one of the few hundred thousand other places where he can buy cream rather than to go to the same place where we are.

But there are a great many independent cream buyers, and that point is not brought out sufficiently. For example, take the Blue Valley Creamery and the Beatrice Creamery, and a great number of others who are buying cream in competition with us throughout the whole middle western and western territory.

At any rate, there is absolutely no agreement in dividing territory, or in the location of cream buying stations or in the location of creameries.

Now, the way cream is bought in the country is through local agents; most of whom, in fact, the usual practice is, for them to buy for us on commission. We do not pay them a salary. They are often local merchants. They are men who have other business, and who are perhaps buying eggs and poultry on their own account, but they also buy cream for us on commission.

Now, there are generally two or three such cream buyers in a town. Sometimes there is only one, but there will be one in the next town, perhaps seven or eight miles away, and the farmer has his choice of hauling his cream to either one of those two towns; or, it might not be a "town" at all; the shipping point may simply be a railroad station and a general store with perhaps a few houses around it.

These local cream buyers have practically got to pay the same price for cream. Suppose there are two in a town; if one drops the price a cent he will not get any business and the other one will get all the cream; or, if there are two shipping points five or ten miles apart on the railroad they have practically got to pay the same price for cream because if one pays a cent higher than the other, the farmers will haul to that one place which is paying the cent higher.

Mr. STEPHENS. I would like for you to explain right at this point why that is not also true of the packers at these different points like Omaha, St. Louis, and Kansas City?

Mr. WELD. It is practically true; farmers ship to where they think they will get the best price, but the market is practically a certain price brought about by competition and competition keeps the different markets "in line" with each other. It varies between markets, of course, on account of freight rates. The price of cream, of course, is based upon the price of the butter, and we have to try to buy our cream at such price as will enable us to get out whole on the butter and make a profit, if possible.

Mr. PARKER of New Jersey. I think Mr. Stephens was asking as to stock; that is, why it was not true also of stock.

Mr. STEPHENS. You explained a moment ago, but you did not complete your explanation, that you gentlemen wire ahead for the sake of agreeing with the price between Chicago, Omaha, and Kansas City on cattle. Now, you say that you do agree on the price of cream.

Mr. WELD. I do not say that there is any agreement whatever.

Mr. STEPHENS. Why is not that same thing true in regard to the meat?

Mr. WELD. It is, in that same sense, that we have to buy "at the market" everywhere, and that means that the market is a fairly definite thing. Although, of course, you have so many different grades of cattle as compared with cream that the market price is not as definite for cattle as it is for cream; but you have to buy at what the market is all the time. Does that answer your question?

Mr. STEPHENS. I did not mean to interrupt you, but I just wanted you to clear up what seemed to be an inconsistency.

Mr. WELD. Have I cleared up the apparent inconsistency?

Mr. STEPHENS. I think so.

Mr. WELD. The point I am trying to make now is that these local cream buyers at any one given point practically have to pay the same price for cream. They naturally get to that same level. If one pays less he does not get any business, and his living depends very largely, oftentimes, on his cream business, although he generally has other business too.

Now, there is no doubt in the world but what these local cream buyers have often, and probably do to-day, exchange information as to what prices they are paying for cream.

That is a situation that Swift & Co. is up against and one that Swift & Co. has tried to eradicate; that is, we have tried to eradicate any agreement or exchange of information, and that is all that these letters show.

They show that we recognize that difficulty out in the country. They have always done it. It is a matter of custom. They have exchanged this information with each other so they would keep in line with each other, and Swift & Co. has done its utmost to try to eradicate those agreements; and as I say, that is all these letters show.

Here is an example of the instructions that have been sent out by our produce department from time to time attempting to eradicate that practice.

Here is one that went out on February 15, 1915, and it reads as follows:

No. 331.

Legal, buying. February 15, 1915.

PRODUCE INSTRUCTIONS.

1. Managers should keep in mind the fact that buying prices and selling prices should be based on value, taking into consideration quality, freight rates, and competitive conditions.

Attention is directed to the so-called antidiscrimination laws under which uniform prices must be paid.

That is, uniform prices at different points. You can not discriminate between different localities because that would be unfair or destructive competition.

While these are construed to permit variations to meet legitimate competition, the conditions must be extreme to induce managers to make such variations.

2. Managers must not, under any circumstances, enter into any agreement, verbal or written, restricting competition in any manner, or dividing territory with competitors or in any manner threatening or seeming to threaten shippers. Any acts that might be so construed should be avoided.

3. Anything that might tend to affect the company from a legal standpoint should be called to the attention of the produce and legal departments, with all the facts that can be gathered concerning them.

The Federal Trade Commission had access to these instructions which we have issued from time to time, but did not insert a copy of our instructions in their report.

Mr. HAMILTON. May I ask you a question there?

Mr. WELD. Certainly.

Mr. HAMILTON. How does Swift & Co., for illustration, ascertain the outside price it can afford to pay for cream?

Mr. WELD. The outside price it can afford to pay for cream?

Mr. HAMILTON. Yes.

Mr. WELD. We base it on the price of the butter, and the price of butter is a matter of general market information. There are market reporters who go through the various markets each day and find out just what the price of butter is; that is, the price for the different grades of butter.

Mr. HAMILTON. Now, if Swift wanted the cream bad enough, he could raise the price?

Mr. WELD. He could pay more for cream, and he would undoubtedly lose money, of course.

Mr. HAMILTON. What does Swift & Co. do with the cream?

Mr. WELD. Swift & Co. makes it into butter. It is shipped to central points where we have creameries.

Mr. HAMILTON. In other words, then, Swift & Co. would have to raise the price of butter if it raised the price of cream.

Mr. WELD. If it paid more than the market price of cream, yes; it would have to raise the price of butter to make a profit; but it could not do that, because then it would sell no butter.

Mr. HAMILTON. Then your theory is that Swift & Co. pay as high a price for cream as they can afford to pay and convert the cream into butter at a certain market price.

Mr. WELD. Yes; the competition forces us to pay the highest price for cream that it is possible to pay and still get out whole on the butter.

Mr. HAMILTON. The same rule applies to Swift's competitors?

Mr. WELD. Yes, sir.

Mr. HAMILTON. So that there can be practically no competition as to the price of cream?

Mr. WELD. There is competition as to the price of cream, because there is competition in the sale of butter. The price of cream depends primarily on the price of butter.

Mr. HAMILTON. Yes.

Mr. WELD. And even so, there is competition in the buying of cream, although, as I have explained, these local agents at any one point have to pay practically the same price for cream or the one who is buying at a lower price will not buy any cream; and oftentimes we can not follow the butter market for that very reason. Oftentimes we are forced to buy cream on account of the competition at a higher price than we can really afford to pay.

The CHAIRMAN. Proceed with your statement, Mr. Weld.

Mr. WELD. Also, in this discussion of our attempts to break up these agreements among the local cream buyers who, as I explained, are not on the salary roll of Swift & Co. but are paid on a commission basis, the Federal Trade Commission procured other letters from our files that were not used. I have one here especially that I want to read and to introduce. It is dated April 3, 1916. It was written by the head of our produce department to two submanagers in the department, and should be read in conjunction with the letter of March 9, 1916, reproduced on p. 151 of the Trade Commission's report.

APRIL 3, 1916.

MESSRS. J. Y. MARSHALL, L. E. DUNKER.

Question of making agreements other produce dealers:

Want you to take up especially with each manager, assistant manager, you visit, the question of making any agreement of any character.

You fully understand our requirements in this matter. The managers are all under instructions from Mr. L. F. Swift covering the matter. We desire you to further handle as follows:

Explain to them clearly that they have been thoroughly instructed in this matter and any deviation from these instructions will revert against them in person.

You are to thoroughly and clearly explain to them that if for any reason they have a conversation with other dealers they are not to make any statements of any character that could be construed as an agreement, and unless this is fully understood by them and unless this is followed to the letter we shall find it necessary to instruct them that no conversations of any character are to be had with any other dealers that touch any feature of the produce business.

In other words, we were going to such an extent to try to prevent these agreements among local cream buyers that we were going to prohibit them from even holding conversations with their competitors at these local points.

You are to make a definite memorandum of this conversation with each of these managers, showing the date thereon, and hold same in your files as permanent record, and responsibility is placed with you to see that interview of this character is had with every manager of the produce plants under your direction within reasonable time.

A copy of this letter was taken by the Federal Trade Commission from our files, but was not reproduced with the other letters in this report.

It shows perhaps more forcibly than any other letter the extent to which we were going in trying to prevent any agreements among these local cream buyers.

Now, gentlemen, I might go on in this way, and I could take up my whole time in pointing out unfairnesses and inaccuracies in the Federal Trade Commission report, but I think I have shown you enough to indicate the one-sidedness and the unfairness of the report.

My second general subject is that this proposed bill is based on the erroneous theory that there is a combination.

If we can disprove that there is any combination the whole reason for this bill practically disappears.

Now, I shall attempt to prove, first, that the Federal Trade Commission has not established its case that there is a combination; and second, I want to give you a positive argument that we are in competition.

THE FEDERAL TRADE COMMISSION HAS NOT ESTABLISHED ITS CASE.

First, it refers to beef pools and the National Packing Co., and those matters long since passed have nothing to do with the situation at present.

Second, the attempt to prove collusion through joint ownership of facilities.

We do jointly own several facilities, as has already been explained, but that does not mean a combination to restrain trade and has absolutely no effect on prices.

Third, the Federal Trade Commission attempts to show that we have an international meat pool, and gives that as evidence that we are working together.

In the first place, that has nothing to do with the local situation, and there are no illegal international meat pools, anyway.

Fourth, it tries to make out that there must be agreements by introducing letters and memoranda which show an occasional interchange of information.

I hold that such occasional interchange of information as to prices that were paid, or the percentage of live stock that one packer or several packers received, or what the margin was in New York last week, does not in any way prove any agreement. This is interchange of opinion about things that have happened in the past.

I might call your attention in that connection to a very common form of organization which has developed within the past few years called "Open price associations." A group of manufacturers

will form an association, and they will exchange with each other at the end of each week or at the end of each month what their output was, what their cost was, what their selling price was for that previous week. They do it in a very definite and formal way.

I know of one jobbers' association, for example. It will get reports from the different dealers, from the different jobbers who are members of this association. They will report on individual commodities, so many pounds of this commodity sold last week or last month; the price we paid was so much; the price we received was so much; the gross margin, therefore, was so much; this was a certain percentage of the selling price.

As I say, there are many associations of manufacturers that have these open price associations. If the packers did anything bordering on that, I am sure we would be criticized for it very severely.

The best you can say is that occasionally one packer told another that "Last month we made a certain plus margin, perhaps, in New York," a mere interchange of information, mere gossip as to what happened in the past.

They are absolutely not evidences of agreement on prices, and can not be interpreted as such; and, as I say, there are scores of associations that are doing a thousand times more than we are, that go under the name of cooperative competition, and apparently have the sanction of the law.

Mr. HAMILTON. How long have these open price associations been in operation?

Mr. WELD. I should say they have developed within the last five years.

And, finally, the Trade Commission makes its case, of course, almost entirely, on the fact that the percentages of receipts taken at the different markets remain approximately constant from year to year.

I do not know that I need to go into our explanation again, although briefly it is that we are in such keen competition that we, Swift & Co., keep a record from week to week, from month to month, from year to year, as to what proportion we get and what proportion every other packer gets in each market in which we buy.

If we have been getting around 30 per cent in one market, and this year it is running only 28 per cent, our manager in that particular market hears from us in Chicago, and we want to know what is the matter; and we keep such close tabs on each other in these organized, open market places, where each packer can see what the others are doing, that it is impossible for one to inordinately increase his business over the other's, although, as has already been pointed out, Swift & Co. has gradually been increasing its proportion and killed in 1917 some 90,000 cattle more than we would have killed if we had not increased our proportion as compared with what it was in 1913, according to the figures given by the Federal Trade Commission.

But, there are two other important points in connection with this matter of the fairly constant percentages, which have not been brought out.

The first is, that even if there were an agreement concerning a division of live stock receipts, this would not even control prices, because

there are so many other buyers, so many shippers, so many speculators, so many small packers, that if through any agreement we attempted to depress the price the least bit, there would be people ready to jump in and buy the animals and keep the price up.

Furthermore, the price is a country-wide price, a world-wide price you might say, and it would be absolutely futile to attempt, through any such agreement, to depress the price.

Another point in this connection is that the Federal Trade Commission tries to make out that this alleged division of receipts amounts to a continuation of what was accomplished under the old Veeder pool.

The Veeder pool merely allotted the shipments to various markets; that is, the shipment of fresh meat, so as to prevent either an oversupply or a scarcity in the different markets.

Now, of course, that was done away with 17 years ago.

Mr. MONTAGUE. That was an allotment of shipments alone?

Mr. WELD. That was an allotment of shipments alone and had nothing to do with the purchase of cattle.

Mr. MONTAGUE. What would you say as to allotment of purchases as shown by the Denver letter?

Mr. WELD. There is no allotment of—

Mr. MONTAGUE (interposing). You may not call it an allotment, but call it anything you choose, an understanding or agreement, that each was to buy 50-50.

Mr. WELD. Each wants to buy at least half the receipts and each attempts to.

Mr. MONTAGUE. Yes.

Mr. WELD. Although it appears that Mr. Armour has been falling a little bit behind, especially in cattle receipts, in the last two or three years.

My point is this: That even if there were an agreed division, that would not at all accomplish the purpose of the old Veeder pool. I say this because that is what the Federal Trade Commission tries to make out in its report.

Even if there were an agreed division of live-stock receipts that would affect in no way the shipment of meats to the different markets. We can ship as much or as little as we want to New York or to Boston or to Philadelphia. The alleged division of receipts would not affect recurring gluts and scarcities in the various markets, and would not have any effect whatever in allotting the shipments of the different packers. The Trade Commission—

Mr. DOREMUS (interposing). Assuming there are only two buyers at a certain market and they agreed between themselves to take all the receipts of that market, can you say they could not affect the price?

Mr. WELD. In the first place, they can not agree to take all the receipts because there are other buyers, and in the second place—

Mr. DOREMUS. But, assuming—

Mr. WELD (interposing). Excuse me if I finish answering your question. In the second place, if there were no other buyers and they agree to divide the receipts, they could not control the price even then. Possibly they could for a short time, but the markets have got to keep in line with each other. They automatically keep

in line. You can not depress the price in one market, even one packer alone, could not, to say nothing of any agreement with any other packer.

Mr. DOREMUS. If there are two buyers who take all the receipts there will not be any other buyers will there?

Mr. WELD. Assuming there were no other buyers and only two buyers, I will say that possibly they could, with an agreement, affect the price for a short time.

Mr. DOREMUS. There is not any doubt about that in your mind, is there?

Mr. WELD. No; there is not any doubt, except you have got to keep other buyers out. They might do it for a day or two, but if there were only two buyers in Denver, no other buyers at all, and they attempted by agreement to depress the price, it would not take two days before there would be other buyers in there buying the stuff, and if all other buyers could in some way be excluded, even then the price could not be arbitrarily depressed, because under such circumstances there would be no live stock shipped to such a market.

Mr. DOREMUS. I am not charging that there are only two buyers, we will say, in a certain market, but if there are only two buyers and they agree among themselves to take all the receipts of that market, they can keep any other buyer out, can they not?

Mr. WELD. No, sir.

Mr. DOREMUS. Why not?

Mr. WELD. Because they have no control in buying all the receipts. There is no way in which they can agree to take all the receipts.

Mr. DOREMUS. We are assuming for the purpose of the argument that there is a combination between these two buyers. Do you mean to say they would not have the power to crowd out or keep out an independent buyer who ventured into that market?

Mr. WELD. No, sir; there would be no power to make it possible for them to keep other buyers out. The stockyards are open to all. If that were not so, you would surely have grounds for complaint.

Mr. DILLON. May I interrupt you there?

The CHAIRMAN. Gentlemen, let us have an understanding. I thought Mr. Weld was going to be permitted to make his statement in chief, like all the rest of the witnesses, although I did not say anything about it. He is limited in time, and I just want to know the wishes and feelings of the committee. If we commence asking him questions at length he will not be able to finish, and he is only to have the morning session. I state this because I do not know but what some members of the committee were not present when Mr. Weld commenced his statement.

Mr. DILLON. We should have invoked the rule in the beginning.

The CHAIRMAN. I can not invoke the rule when a member addresses the witness without saying a word to me about it.

Mr. STEPHENS. I will say, Mr. Chairman, that I simply wanted the witness to clear up one point as he went along.

Mr. DILLON. That is my purpose.

The CHAIRMAN. I think they all ought to be treated alike. I have no objection to that, if the rest of the members want to do that.

Mr. ESCH. If the Judge wants to have a situation clarified, I think he ought to call the witness's attention to it now.

Mr. HAMILTON. The difficulty about the whole matter is that these witnesses are here to give this committee information, and even though this gentleman should not be able to complete his whole statement, there might be some question raised in the course of his statement that he would desire to explain, or that some member of the committee would desire to have explained. I would not interrupt him unless something occurred where I was in doubt as to exactly what he meant.

Mr. DOREMUS. I think we had better follow the old rule. I violated it just now, but I will not do so again.

The CHAIRMAN. It is a matter entirely with the committee.

Mr. DILLON. Go ahead, Mr. Weld.

Mr. WELD. I might say, Mr. Chairman, that as you see, I have not a formal written statement. I am speaking only from notes, and it may be for that reason that I often do not completely cover a subject or make myself entirely clear. Of course, I should like to make myself clear as I go along, and personally I have no objection to being asked questions as long as they pertain to the point under discussion.

The CHAIRMAN. No witness has ever objected, and it is simply a question of procedure.

Mr. WELD. To conclude my argument that the Federal Trade Commission has not established its case, as I say, they practically base their case on this agreed division of live-stock receipt.

We have explained to you that there is no such agreed division; that the Federal Trade Commission has not established the fact that there is; and even if there were, it would not give us control over prices of cattle or control over meat shipments as the Federal Trade Commission alleges.

Now, I want to take up what I might call the positive argument that we are in competition. This was, of course, omitted by the Federal Trade Commission. The points I am going to call your attention to now you can not find in the Federal Trade Commission's report.

In the first place, we make the positive and unqualified assertion that we are in competition, and that we have no agreements.

This assertion has been made and in itself ought to carry some weight; and I believe it does.

In the second place, even if the five large packers worked together, they would not control over 40 per cent of the total kill of live stock.

I bring this in because the Federal Trade Commission has criticised our statement that the five large packers together kill less than 40 per cent. The Federal Trade Commission says that the five large packers kill, in round numbers, about 70 per cent of the live stock that are slaughtered in inspected houses; that is, the houses that ship meat in interstate commerce.

Now, we say less than 40 per cent, and that means the total kill of the country, including inspected houses, the local packing houses that are not under Government inspection, country butchers, and the kill on the farms.

Of course, there is no question at all but what we come in direct competition with the uninspected houses and with the local butchers, because we are selling meat to country points practically throughout the United States. We are covering the whole country and we come in direct competition with the local butcher.

We also come in direct competition, or I will say indirect competition, with the kill on the farms.

The farmer always has the choice of killing his own stuff or shipping it to market, and really, the stuff that the farmer kills on the farm has an effect in determining the price of meat in New York City. There is at least potential or indirect competition even from the animals killed on the farm, so that I say that we come in competition with the kill of local butchers and the kill on the farm, and that, therefore, we are justified in saying that the five large packers together account for less than 40 per cent of the total meat supply of the Nation.

The third point showing competition is the activity of the smaller packers.

You yourselves have found out that the small packer is not necessarily so small after all, and you have found from the testimony of representatives of the smaller packing concerns that they are doing a thriving business.

Now, according to the latest figures, there are some 335 packing houses in the United States that are under Government inspection, and the five large packers account for, I believe, 65 of the 335, leaving 270 packers that are direct competitors.

In addition to these 270, there are a great many small, local packing houses that do not ship meat in interstate commerce, and which, therefore, do not come under Government inspection; a great many, then, in addition to the 270.

In this connection I would like to speak of the large packer versus the small packer.

This is a matter which has been discussed very frequently here in the committee, and the question has been asked, How can the small packer compete? I believe the point has been made that the costs for the small packer must be as low, if not lower, than for the large packer.

In many cases their operating costs undoubtedly are lower than for the large packer, but this is because, principally, they do a local business.

They do not have branch house organizations in distant markets. They do not do a long-distance business. The large packer, for instance Swift & Co., has a large and expensive selling organization which reaches out all over the country. There have got to be large packers to do that kind of a business, because some two-thirds of the live stock is produced west of the Mississippi and two-thirds of the consumers are in the eastern part of the country, and the packing industry has got to be so organized that there are large units which take the surplus of the West in carloads and trainloads to distributing depots in the consuming centers of the East and distribute from those distributing depots or branch houses, even delivering to the retailer.

The small local packer does not do that. He simply slaughters and kills locally. Some of them, of course, have branched out to neigh-

boring towns; some concerns, like Kingan, which is a very large concern, distributes in distant places; but most of the small packers confine themselves to practically a local business.

Another thing, they do what we call an "in and out" business to a large extent; that is, they buy when prices are right, when it looks as though they can make a profit, and they stay out at other times.

The large packer has a regular trade, a regular set of customers, and he is practically responsible to them, and it is also up to him to absorb the receipts that come to the large markets, and he has to buy from day to day whether the market is favorable or not. The smaller packer, then, has an advantage over the large packer in that respect.

It has often been said in these hearings that it might be better to have a large number of small packing plants scattered through the producing sections instead of having the business concentrated into a few large establishments.

This is a very interesting, and, it seems to me, important question.

My answer to that is, that in the first place, the large packers themselves are perhaps as good judges of the best relation between the location and size of packing plants and their proximity to the producing sections and the consuming centers.

Swift & Co. alone slaughters live stock in 19 different plants in the United States. We have experts who are studying that problem all the time, and we believe we have brought about the most efficient and economical balance between the supply of live stock on the one hand, and the consuming centers, on the other. In other words, we are studying that thing all the time, and our judgment is probably as good as the judgment of any one else in the country on that particular matter.

As an evidence of how we do keep our eye on the development of producing sections and locate plants where it appears to be feasible and economical, I will call your attention to the two plants we have recently established in the South, one in Georgia and one in Alabama.

This is evidence that we believe there is a future in the live stock industry down there, and that we are going to receive an ample supply of live stock to operate those plants economically.

Now, apart from that, there are very definite reasons why the small plants located through the producing sections can not perform the operation as economically and as efficiently as we can in our fairly large plants.

The first reason is that a small plant located out in the country is at a disadvantage in the utilization of by-products. A small plant located in a city has more or less of a ready market for many of its by-products, but it can not handle them so efficiently if it is way out in the country.

The second, and a very important, reason is that the small plant out in the country can not get a regular supply of animals. The production or the marketing of animals is seasonal to a certain extent.

Suppose you put a plant out in Montana, you would have to shut down for a large part of the year. About the only time they would get cattle to slaughter there would be in the fall. There is no corn

fed stuff out there that is fed during the winter; in other words, the supply would be fluctuating.

Another reason is that many sections of the country specialize on certain kinds of animals. A packing plant out in Montana would have to be a cattle-killing plant; it would hardly get any hogs at all. You have to have your plant located so as to get different kinds of animals. Furthermore, a small plant located out in the country would not have ample railroad facilities for a distribution of its products. It would be difficult to get a supply of cars when needed. Furthermore, very likely it would have to ship in only one direction, and it would be difficult to get its products to the markets.

Another reason is that the labor supply out in the country is not adequate for the operation of a packing house in an efficient manner. And perhaps the most important reason of all is that a small packer located out in a producing section could not possibly build up a selling organization in distant States to get rid of his products efficiently, as does the large packer. He could not, of course, ship in large quantities. He could not have distributing stations in different cities. He would not have the proper assortment of animals, nor qualities of animals, to take care of the requirements of the trade and to establish a trade such as the large packers develop. And, in general, he could not in any way get next to the market and distribute his products efficiently.

In that connection I might call your attention to this fact, that most of the small packing houses that we already have are not located out in country districts; most of them are in cities, where they are right in contact with their market, where they can practically sell right from their packing-house plant, and where they can add other lines of business, on which they depend largely for their profits, such as the sausage business. They could not possibly do this if they were located out in Montana or in Nebraska. There they could not develop a market for these products.

Now, gentlemen of the committee, it seems to me that these reasons are sufficient to show why it would not be economical—in fact, why it would be practically impossible—to supplant the present system of fairly large houses located, by the way—the most of them at least—in close proximity to the principal live-stock producing sections; it shows, as I started to say, why you could not split these up into much smaller units and spread them out in the cattle-producing territory and gain anything in efficiency. It would be absolutely impossible.

Now, gentlemen of the committee, coming back to the evidences that competition exists, I want to call your attention again to the fact that because there are dealers, speculators, shippers, and small packers in all of the markets, if any large buyer, or group of buyers through collusion, tried to reduce prices, there would always be some dealer or shipper who would jump in and buy the stuff and ship it to another market.

Also, this competition between markets that I have already spoken of is a very important factor. When you come to study the phenomena of price determination through the laws of supply and demand, you will find that competition brings about equalization of prices in the different markets, taking into account, of course, the freight rates from market to market. There is a general basic price

for a commodity. In the case of live stock the basic price is at Chicago. In Chicago the live-stock price really depends upon the price of meat in the consuming centers of the East. All markets automatically keep in line with the basic price, depending upon freight rate and shrinkages and cost to transform live stock into meat and the sale of it in New York or other eastern markets. The fact that these markets keep automatically in line is really an evidence of competition. If there were not free competition they would not keep in line.

Another evidence is that the prices of meats and live stock fluctuate together and that you will always find an economic reason for the price fluctuations, either in variations in the supply of live stock or variations in the demand for meat. They fluctuate along together, showing that the prices that we are paying for live stock depend very largely upon the prices that we can get for live stock in the form of meat.

Another very positive evidence is the smallness of our profit and the fact that those profits often become losses. In that connection, I want to call your attention to some figures which we are presenting in our yearbook, showing how our profits vary from week to week and how they often become losses. If you will open the 1919 yearbook at the center, pages 30 and 31, you will find a diagram. On this diagram you will find that the top line shows the price we actually got for dressed beef per hundred pounds, by weeks, for the year ending June 30, 1918. The second line shows the price we actually paid for live cattle. The third line shows the value of by-products per 100 pounds. And the bottom line, and the one to which I want more particularly to call your attention, shows our profit per 100 pounds from dressed beef, including returns from hides and by-products.

You will notice how the prices fluctuate. The first week you will see that our profit is shown as zero; that means that we just came out even. The next week we made 34 cents per 100 pounds. The next week is zero. The next week we lost 57 cents per 100 pounds. If you take the weeks that we came out at zero or actually suffered a loss, you will find there are 19 weeks out of 52 that we made no profit or actually lost money. To my mind that is one of the best evidences you can find that there is no control of prices through agreement. If we had control of prices we wouldn't let that happen; we would undoubtedly get a larger margin of profit.

Mr. WINSLOW. Are the members of the committee allowed to interrupt the speaker?

The CHAIRMAN. We are letting him go along.

Mr. WELD. Well, Mr. Chairman, we have the diagram open and if there is some question asked with the idea of bringing out some point and making it clearer, it might be better to have it asked right here.

The CHAIRMAN. All right.

Mr. WINSLOW. I want to ask, if there is no objection, if this chart that is presented here has ever been gone over by any of these various boards of inquiry which have been looking over the affairs of your company?

Mr. WELD. I do not think any board of inquiry has ever gone over this chart. I do not know whether the Federal Trade Com-

mission, in the parts of its report not yet published, will go into this matter and give any data as to cost and profit or not.

Mr. WINSLOW. Have they had access to this information?

Mr. WELD. They have had access to these figures all the time.

Mr. WINSLOW. Figures from which this chart is made up?

Mr. WELD. Absolutely; yes, sir.

The CHAIRMAN. You may proceed, Mr. Weld.

Mr. WELD. Another evidence of competition is the fact that meat itself—that is, fresh meat—is perishable and that the price thereof could not possibly be controlled. The demand for meat varies from week to week, even from day to day. That is something that is generally overlooked in a discussion of this subject, especially on the part of the live-stock producer. All he can see is that he sends this stuff to market and that it is bought by the packer. He can not see beyond the packer, and does not see that the packer has a hard time in getting rid of the meat at a price which yields a profit. The live-stock producer does not know the difficulties connected with the sale of fresh meat; that the demand varies from week to week, and, as I have said, even from day to day.

The situation in New York, for example, will change almost overnight. We will think we are getting along all right, and that we have enough meat to last out the week, when suddenly we may find ourselves overloaded, and we have to drop our prices in order to sell it. Fresh meat is extremely perishable. We must sell it within practically a couple of weeks after it is killed, within two or three weeks at the outside. Stuff shipped into Philadelphia or to New York is practically all sold during the week it arrives.

That doesn't mean that the meat wouldn't be edible for a longer time, for, as a matter of fact, the meat that you buy in a hotel has often been carried in the cooler for sometimes a month. But the hotel will not buy it unless it is fresh. A hotel will oftentimes buy it fresh and ask us to keep it in the cooler for two or three weeks, and by that time it is covered with a thick, rich mold, and if you were to see it as it is taken out of the cooler you wouldn't want to eat it at all. But that meat is in fine condition, and is tasty and tender. But we can not sell it that way; we must sell it fresh. When meat is held that way, it is held by the buyer or the individual butcher in his own cooler, or we are asked to keep it in our cooler for the buyer. If it gets moldy while we still own it, we have to knock perhaps half a cent off the price; and that would mean a loss to us.

We have to sell our meat fresh for whatever price we can get for it. If we have too much meat on hand, we have to drop the price in order to make it move, and if we have not enough of a supply on hand to last out the period competition among buyers forces the price up, so that it lasts out. The price of live stock at any one time depends very largely upon the price we can get for that live stock in the form of meat.

I might say in that connection that we can not put beef away in the freezer to any extent by freezing it hard. To keep beef you have to freeze it hard. That is the way we have prepared beef to ship to our Army abroad and to our allies, but the American people do not seem to care much for frozen beef. A very small percentage of all beef is ordinarily frozen and put away for indefinite periods—

probably not more than 5 per cent of the supply. The American people do not want it, and therefore we can not hold beef in that way.

Another evidence of competition is the fact that the different packers have branch houses in the same town. That is, four or five packers will be represented in a single town, each with a branch house, and each branch house has its corps of salesmen, delivery equipment, etc. In other words, because of the competition we duplicate facilities to a certain extent. There might possibly be some saving effected by combining these, although it is questionable as to whether we could get along with fewer branch houses, delivery wagons, and so forth. The fact that we have competing branch houses, delivery equipment, and salesmen, is evidence that we are in competition.

If you could see our salesmen going around to the retail stores and trying to sell our goods, you would be even more convinced of it. I remember one instance when I was out with one of our salesmen, and he went into a retail store and asked the dealer how he was fixed on compound that day. The salesman was selling it by the barrel or the tierce to this dealer. The dealer said he had enough to last 10 days, and yet our salesman booked the order. I said to the salesman, "why do you do that? You will be around a couple of times before he is out." The salesman said, "Yes, but I am afraid Mr. Armour's man or somebody else will come around and take the order and I won't get it."

Another evidence of competition is that retail butchers shop around from one branch to another. Many retail butchers select their own meat, and they will come to one branch house and get the price there, and then shop around from the branch house of one packer, to the branch houses of other packers. They certainly wouldn't do that if they didn't find a difference in prices. In fact, you wouldn't have to spend very much time in our branch house in New York—and I remember that Mr. Armour invited you to come to Chicago and look through his packing house, the packing house end of his industry, and I will say that if you will go over to New York and spend a few days around our branch houses, and see how we sell our meat, you will be more convinced of the competition and rivalry that exists in this business.

Another evidence of competition is the skill and initiative necessary in running one of these branch houses in order to make it pay. If there were any combination or agreement to control prices we would fix the price and the margin in such a way that it would not be necessary to use such ability and ingenuity in order to make branch houses pay. That is something that you would see if you came over to New York, or any of the large cities, and I say New York simply because that is the largest market and we have more branch houses there.

I say, gentlemen of the committee, these are all evidences of competition. There are many others that you would find if you really got out into the stockyards or into the meat markets.

Also, the very fact that we keep such close records on each other, that no single packer has gained inordinately on the other in the buying of live stock, is to us in the business absolute evidence of competition.

GOVERNMENT COULDN'T FIX LIVE-STOCK PRICES.

In this connection, I want to speak about the proposition of fixing prices on live stock according to cost plus a profit. That matter has been brought up here. I want to point out the difficulties in the way of any such program. The reasons why it would be impossible to fix the price of live stock so as to guarantee to the producer his cost of production plus a reasonable profit may be stated as follows:

The first reason is a very practical one. What is the cost? What method of cost keeping are you going to use? There will be various questions as to what items you are going to include as cost. Are you going to take the cost of the average producer, or the cost of the least efficient producer? If the former, what is the cost of the average producer? And how are you going to handle the different grades and qualities of animals? Cattle, for example, to-day are selling all the way from about 7 to 20 cents a pound in Chicago. How are you going to arrange a schedule of prices so as to take care of the different grades? While they sell all the way from 7 to 20 cents a pound, they do not go up by definite steps, but by fractions of a cent all the way through. Those are some of the practical difficulties in the way.

Second, who is going to determine what price the live-stock producer shall receive? Are you going to have a Government body do that? If so, I should hate to be a member of any such Government commission—one that had to decide on a price of live stock. Are you going to have the consumer represented on such a commission? If so, how much weight are you going to give to the consumer's end of it?

I remember when they fixed the price of wheat they had a commission composed of the wheat-growing interests and of the consuming interest, and that the consuming interest wanted the price fixed, I think, at \$1.80 a bushel, while the producing interests wanted the price fixed at \$2.50 a bushel. Finally, I think they reached a compromise of \$2.20 a bushel. It did not seem to me that that was a particularly scientific way to fix the price to be paid to the farmers.

The third reason, and a fundamental economic reason is, that you can not fix prices for live stock because that really involves the fixing of meat prices and the control of demand.

As I have already pointed out, meat prices can not be fixed. The demand varies, and the product is perishable, and you can not make people eat meat at fixed prices. The price becomes adjusted from week to week and even from day to day, so as to bring about just a proper balance between supply and demand. The price becomes adjusted so that all live stock that comes to the market is cleared in the form of meat. Given a certain supply of live stock, this live stock brings the highest price in the market that will clear the supply in the form of meat. Our profits prove that. That is, the smallness of our profits proves that. That is to say, that live stock gets the highest price that it is possible to pay and still clear it in the form of meat in the consuming markets. A fixed price for live stock would result in either too large a supply of live stock, or too small a supply of live stock. If there is too large a supply of live stock, the price of meat would have to be lowered in order to clear the supply.

This, of course, would mean a loss to the packer. You would have to guarantee a profit to the packer in order to keep him in business if you fix the price on live stock. That is a fundamental economic reason why you can not fix the price on live stock.

Now, the fourth reason is that the fixing of prices on live stock would immediately raise the question of tariff duties on live stock. If you fixed a price on live stock, you would have to protect that price from foreign competition. You would immediately raise the question of duties.

And the fifth reason is that if you fix the price on live stock you would immediately raise the question of price fixing on all other commodities. There is no more reason why the live-stock producer should be guaranteed a price that covers his cost, plus a profit, than that the cotton producer or the wheat producer should be guaranteed such a price. If you do it for live stock, you immediately open up the question of governmental price fixing for all commodities, and not only prices on farm products, but the thing would be just as applicable to the price of coal and of iron and of other products of the earth, and also the question would come up with regard to manufactured products. There is no more reason in the world why the live-stock producer should be guaranteed a price that will cover his cost, plus a profit, than there is that producers of all other commodities should be guaranteed prices that would cover cost and profit. This is an extremely fundamental point in connection with this whole matter and it seems to me high time that some of these things should be understood and cleared up. These are fundamental propositions that the agitators against the packers and for legislation of this sort absolutely ignore. These are propositions, when you get right down to it, that you can not possibly get away from. And it is high time that more attention were paid to these fundamental economic propositions, because the whole question of legislation against the packing industry depends upon them so vitally.

PROFITS OF SWIFT & CO.

So much for the question of price fixing. Now, with regard to the profits of Swift & Co. and their bearing on the question of legislation:

This matter, I believe, is fundamental, because the demand for legislation is largely the result of the belief that the packers' profits account for either high meat prices or low live-stock prices, depending entirely upon one's point of view.

The financial statement of Swift & Co. for 1918 has already been placed in your hands, and that shows how small our profit is on sales and how small it is on the total investment.

I will not stop to go into that now, but I want to say a word about our war profits, as compared with prewar profits in the packing business and in other industries.

I have compiled here a statement, somewhat similar, I believe, to the statement introduced by Mr. Armour, although this statement merely purports to show the increase of our war profits over our prewar profits, as compared with the increase in profits in other lines of business. These figures prove that our war profits in the packing industry are not out of line with the war profits of large corporations

in other fields. For example, taking the three-year average for 1915, 1916, and 1917—three war years—as compared with three years before the war—1912, 1913, and 1914—Swift & Co.'s profits, without deducting the tax, increased 176 per cent; that is, the average three-year war profit was 176 per cent greater than the average three-year prewar profit.

Mr. DECKER. When you refer to "prewar," you mean before the European war began and not before our entrance into that war?

Mr. WELD. Yes, sir; the years 1912, 1913, and 1914. Of course, 1914 covers a part of the European war period, but our industries were not affected, in fact, they were adversely affected if anything, for the first three or four months after the war began in 1914.

The war profits of International Paper increased 153 per cent, while ours increased 176 per cent. United States Steel increased 139 per cent. American Woolen Company increased 398 per cent, as compared with our 176 per cent. American Brass increased 320 per cent against our 176 per cent. Bethlehem Steel increased 409 per cent as compared with our 176 per cent. American Car & Foundry increased 170 per cent. Anaconda Copper increased 275 per cent. This is merely to indicate that our war profits are not out of line with the profits in other industries. I introduce this because there is a general feeling that the packers have obtained extremely large profits during the war, and that those profits have been out of line with the profits which have obtained in other industries.

I also want to explain that these war profits had to be larger than usual. It has been absolutely necessary, in order that the industry might maintain its efficiency, and finance its operations, and at the same time meet the demands upon it. But I want to further explain, in the first place, that these profits that we speak of are largely book profits, that is, paper profits; they are not profits that have turned up in cash. At the end of the fiscal year we have to take the value of our inventories into account, of course, in determining our profits. At the end of this last year we had about \$170,000,000 tied up in goods in process of manufacture and on their way to market.

Just think of it! The profits that we showed upon our books depended very largely upon the value of these inventories at the time of that cut-off. We might earn this and we might not. The chances are that we will not, because in the long run our inventories are absolutely bound to decrease in value as prices in general begin to decrease, and when that will come we do not know. Not only that, but this \$170,000,000 of inventories means that we require very large sums of money to finance them, to say nothing of our accounts receivable, and other matters that we have to finance, for which we have to borrow huge sums of money. Our profits are largely tied up, therefore, in these inventories. Also, out of these profits we have had to provide for expansion and improvements and changes in equipment to conform with war demands as made by our own Army and the allies. In other words, these larger profits during war times have been absolutely essential; and these larger profits have not given us enough money to finance the business, for we have had to increase our borrowings tremendously, and to raise more cash by selling capital stock in order to carry these heavy expenditures and finance the business, and maintain efficiency.

I now present this statement to be incorporated in my remarks:

WAR PROFITS OF SWIFT & CO. COMPARED WITH WAR PROFITS OF OTHER INDUSTRIES.

In its report on "Profiteering" the Federal Trade Commission made an unfair comparison of the war profits of four large packers during the war, with the profits before the war. They compare a three-year war profit with an average one-year prewar profit. The only possible reason for making such a comparison was to give an exaggerated idea of the packers' war profits.

Mr. Chase, of the Federal Trade Commission, introduced figures before the Senate Committee on Agriculture to show that Swift & Co.'s profits during the war were much greater than during the years before the war. This statement was unfair in many ways, but one interesting feature of this statement was that no reference was made to profits made in other industries.

The following statement is presented merely to show that the increase in Swift & Co.'s profits during the war was in line with what took place in other industries. No attempt is made in this statement to compare profits on investments or on sales. As a proportion of sales, Swift & Co.'s profit would probably show smallest of any large industry in the country; in other words, profits are a smaller element of prices in the packing industry than in any other industry.

The following table gives the percentage increase of the average three-year war profit over the average three-year prewar profit; figures taken from Moody's Manual of Industrials:

Prewar profit for Swift & Co. and for various other large corporations.

	1912-1914, average profit.	1915-1917, average profit.	Increase.	Per cent increase over prewar average.
Swift & Co. ¹	\$9,627,000	\$26,617,000	\$16,990,000	176
International Paper.....	3,104,000	7,840,000	4,736,000	153
United States Steel.....	106,006,000	253,087,000	147,081,000	139
United States Rubber.....	11,144,000	21,098,000	9,954,000	89
American Woolen.....	1,945,009	9,679,000	7,734,000	398
American Brass.....	1,861,000	8,076,000	6,195,000	329
Bethlehem Steel.....	2,202,000	46,839,000	37,637,000	409
American Car and Foundry.....	3,139,000	8,469,000	5,330,000	170
Apaconda Copper.....	10,285,000	39,578,000	28,313,000	275
Standard Oil of Indiana.....	10,639,000	29,917,000	19,278,000	181
American Sugar Refining Co.....	5,162,000	11,367,000	6,205,000	120
Johns-Manville Co.....	712,000	1,827,000	1,115,000	157
Union Oil of California.....	5,721,000	10,566,000	4,845,000	85

¹ War taxes not deducted.

² Denotes figures for two years only.

Now, a word about the effect of profits on prices:

I want to explain why we say so much about our profits in relation to our sales. We speak of our profits this last year in the meat department as 2 cents on each dollar of sales, or about 2 per cent of sales; but some people criticize that and say, "We are not interested in what your profit is on sales, but what it is on capital or investment." There are two ways to consider profit: The first is, compare them with sales; and, second, compare them with investment. We speak of our profit on sales for the simple reason that when you are measuring the effect of profit on prices, the only way you can do it is to compare them with sales or per pound of product. The fact that our profit is only 2 cents on each dollar of sales, or a quarter of a cent per pound on beef, shows absolutely that our profits have practically no effect on prices. That is the important point we are trying to get across, because the consumer thinks the high price of meat is due to the packers' profits, and the live-stock raiser thinks he isn't getting as much as he ought to for his live stock, because he thinks we are making a large profit. I say, when we can show, as we do show, that our profit is 2 cents on each dollar of sales, or a quarter of a cent on a pound of meat, this absolutely disproves the general belief that our profits account for the high price of meat or the low price of live stock.

The Federal Trade Commission has done its best to belittle our figures where we show our profit is only a quarter of a cent per pound of meat, or 2

cents on each dollar of sales. They tried to discredit those figures at one time by comparing our beef profit with the profit on anthracite coal. They said that a quarter of a cent a pound on beef means \$5 per ton, whereas, they said, the profit on a ton of coal is only about 25 cents. But the Federal Trade Commission failed to explain that a ton of beef is worth about \$400, whereas a ton of coal is worth only about \$7. In other words, \$5 profit on \$400 worth of meat at the wholesale price is only $1\frac{1}{4}$ per cent, whereas a 25-cent profit on a \$7 ton of coal, wholesale price at tidewater, is over $3\frac{1}{2}$ per cent. In other words, the profit on beef is a smaller factor in the price than is the profit on coal. You could cut our profits out entirely and you would not notice a difference in the price of live stock or meat. This is an extremely important and fundamental fact in connection with this whole question about the packing industry.

In this connection, I want to call your attention to some other figures in this year book, and I will ask you to turn to page 47.

The CHAIRMAN. My book is not numbered. What is the title or the subject?

Mr. WELD. It is in connection with the profits on beef. On page 46 there is shown a Swift dollar. You can use that to find the place, and there is a diagram on the page to the right.

This diagram that I want to call attention to shows as follows:

The first line at the top indicates the average price per head that we paid for live cattle during 1918, which was \$92.70.

The next line shows the price we received for the meat, which was only \$81.45. In other words, we sold the carcass for less than we paid for the live animal. That is always the case. We sell the meat from the animal for less than we pay for the live animal. But, of course, in addition to the carcass we get something for byproducts, and in 1918 that amounted to \$22.06. That brings the total receipts for each animal to \$103.51. Now, if you will compare that with the first line showing that we paid \$92.70 for each animal, you will find a gross margin of \$10.81 per head, shown on the next line.

The next line shows our expenses, \$9.79. That covers the expense of slaughtering and dressing and preparing for the market; the freight to points all over the United States; and the selling expense through our branch houses, including even delivery to retail stores.

There was left a profit per head of \$1.02, which is somewhere around a quarter of a cent a pound for the meat, or about one-eighth of a cent a pound on the live stock, because only a little over 50 per cent of the animal emerges as meat. Therefore, the profit would be really about an eighth of a cent per pound of live animal. We were paying all the way from \$7 or \$8 to \$20 per 100 pounds for the live animal last year. If we had paid 12 cents more per hundred pounds we wouldn't have had any profit at all. Out of this \$1.02 we have to pay interest on borrowed money and interest on capital in the form of dividends.

Mr. MONTAGUE. What do you include for profit to make up the 2 per cent?

Mr. WELD. This is \$1.02 per head for animals and is not on the same basis at all.

In that connection, you might be interested in a diagram shown on the opposite page, headed, "The Swift Dollar." Out of our total sales of meat profits about 85 per cent goes to the live stock raiser; about 13 per cent goes for packing house expenses, labor, freight, and sale expenses, and our profit is 2.04 per cent on sales, or, as we have

expressed it, 2.04 cents on each dollar of sales. For cattle it is higher than that; that is, the percentage that goes to the stock raiser. About 90 per cent of our receipts from cattle products go to the cattle raisers.

Mr. MONTAGUE. What do you embrace in the word "cattle?"

Mr. WELD. All cattle, all grades and all kinds.

Mr. MONTAGUE. You do not embrace sheep?

Mr. WELD. No, sir; we do not embrace sheep in that.

Mr. MONTAGUE. Sheep and hogs are excluded?

Mr. WELD. In this Swift dollar, all kinds of live stock are included.

Mr. DOREMUS. What is the average weight of a head of cattle?

Mr. WELD. I do not know what the average weight was last year, but I should say under a thousand pounds. I will ask some one here to tell me. I am informed that it was 950 pounds.

While we have this book open, you might also be interested in page 49. This matter came up in these hearings the other day, and it occurred to me you might be interested in this diagram showing the retail margin on meat. It shows why prices vary to such an extent for the different cuts of meat.

The vertical scale shows the prices per pound. These are from some tests that were made in Chicago, for some average carcasses selling at 20 cents a pound. When we sell a side of beef at 20 cents a pound, you will see that the average retail selling price is only about 25 cents a pound, even though the retailer charges 45 cents a pound for the porterhouse and club steaks. You will notice that porterhouse and sirloin together account for only about 16 per cent of the total of the animal. And the retailer gets for the chuck and the plate and miscellaneous cuts, shown at the right of the diagram, a price lower than the average price he gets for the whole carcass. That shows the relative weights of the different parts of the side of beef, and also the prices for the different cuts. The vertical scale shows the prices and the horizontal scale at the bottom shows the actual number of pounds and the percentage that each cut is of the total.

In other words, when a person says that cattle are selling Chicago for 15 or 16 cents, and he has to pay 50 cents for porterhouse steak, and tries to draw a comparison, I want to say that that is absolutely an unfair comparison. That does not amount to anything at all. For an animal like this we would pay about 15 cents, and we would sell the carcass for about 20 cents, and the retailer would get an average of about 25 or 26 cents a pound for all the meat from that carcass, but he would have to get 45 cents for the porterhouse. You can readily see that if he sold all of the different cuts at the same price, everybody would buy porterhouse and sirloin and the stewing cuts would be a drug on the market.

One other point in connection with these beef profits:

It has been so frequently stated that Swift & Co.'s profits as published are misleading, and that this small profit on beef does not amount to anything because they make such large profits on by-products. It has been said that we treat our accounts in such a way as to show a small profit on beef and that we make huge profits on by-products. Let me explain that these profits on beef include all profits on packing house by-products. That does not mean that they include profit on leather, or profit on soap, but it does not mean that

they include profit on cured hides and on tallow, and prepared grease that goes to the soap department, and refined oleo oil that goes to the oleomargarine department.

Mr. MONTAGUE. Does it include glue?

Mr. WELD. Yes, sir; prepared stock for the glue factory, but not the profit on the glue itself. Our soap department, for example, buys only about 10 per cent of its raw material from our packing house department. There would be no sense in including the profit of our soap factory with our profit on beef. That wouldn't teach us anything. All our accounts are constructed in such a way as to teach us how we are getting along in our different departments. The refining of oleo oil is a part of our slaughtering operation: the profits on meat include the profit on oleo oil, tallow, cured hides, etc. It takes about a month to cure a hide. We have to keep a lot of money tied up, and we have cellars with hundreds of thousands of hides in them all the time; but our expenses and profits are included in our beef figures. But beyond the hides, they go to the leather tannery, and that is a separate business. The profits on leather are not included. When we say that we include in our beef profits the profits on by-products, that statement is absolutely and strictly correct. It would mean nothing if we also included the profits of separate industries which draw a part of their raw materials from our packing houses—

Mr. HAMILTON (interposing). At this point I would like to ask the witness to present a list of by-products.

Mr. WELD. We shall have to send for a complete list, but I shall be very glad to include that.

Mr. HAMILTON. When you correct your statement, please incorporate such list in it.

Mr. WELD. All right. I have spoken of this because there has been some misunderstanding and some criticism of our figures on the ground that they are misleading and do not include profits on by-products.

LIST OF BY-PRODUCTS OF CATTLE, CALVES, SHEEP, AND HOGS.

Actual proceeds included in profits of slaughter, whether sold to outside concerns or to other departments or subsidiary concerns of Swift & Co. at actual market values.

Cattle.—Hides, oleo oil, stearine, tallow, grease, neat's-foot oil, tongues, switches, tripe, dried blood, livers, hearts, tails, sweetbreads, cheek meat, head meat, ear glands, ox lips, brains, bones, horns, hornpiths, tankage, concentrated tankage, casings, weasands, and weasand meat.

Calf.—Oleo oil, stearine, tallow, tongues, blood, bones, head meat, cheek meat, brains, sweetbreads, plucks and rennets, heads and feet, concentrated and commercial tankage, neat's-foot oil, and skins (usually sold with the carcass).

Sheep.—Pelts, oleo oil, stearine, tallow, tongues, blood, casings, brains, plucks, sweetbreads, head meat, cheek meat, commercial and concentrated tankage, and bones.

Hog.—Blood, commercial and concentrated tankage, hair, casings, plucks, grease, chitterlings, tripe, brains, and hearts.

Now, that brings me to my fourth general subject, the features of the proposed legislation.

The CHAIRMAN. That is exceedingly interesting, that part of it, and I will be glad to hear about that.

THE PROPOSED BILL.

Mr. WELD. Well, the bill provides for government acquisition of cars, stock yards, branch houses, and cold storages. Whether it also provides for the acquisition of packing plants I am not sure; judging from Mr. Colver's description of the bill, it was apparently not the intention to include the actual acquisition of packing houses, but there is very serious question whether the provisions could not be so interpreted as to include the actual purchase of packing houses.

Then the license features of the bill are made to give blanket power of control over the packing industry. The powers are not limited in any way in the bill; they give absolute power to the government to do whatsoever it will.

Then specifically it provides that the government may supervise the relation between the handling of packing house products and other products. That is not the exact wording, but it is intended to give the government power to say what products we may or may not handle.

These are the outstanding features of the bill, it seems to me. I was planning to take up first refrigerator and stock cars, then stock yards, and then branch houses, and then the handling of other than meat products.

REFRIGERATOR CARS.

Refrigerator cars and stock cars have been pretty well covered already.

It has been explained to you fully why refrigerator cars are owned by the packers—because the railroads, in the first place, refused to build them.

We have shown you that refrigerator cars are a losing proposition to us financially. We have shown you that there are, however, certain distinct advantages in packer ownership and operation of such cars. We have a transportation department that distributes the cars efficiently to our different plants—to different parts of the country as they are needed. This transportation department keeps after the cars and sees that they are kept in good condition, that they are promptly moved, and that no time is lost, as they move about the country.

The Interstate Commerce Commission apparently does not agree with the Federal Trade Commission with regard to refrigerator cars. Some points have been quoted to you from its recent decision, but there are one or two outstanding paragraphs of that decision that I would like to read to you.

On page 673, of the recent report of the Interstate Commerce Commission, dated July 31, 1918, the commission says:

The system of the use and supply of private cars that now exists cannot be at once and radically changed without serious consequences to shippers, carriers, and the public.

On page 683, the Interstate Commerce Commission says:

As a rule, carriers have never furnished these cars, and it has come to be mutually understood that they should not do so. The oil refiner and meat packer demand an adequate supply of cars at all times. It is conceded by shippers that neither an adequate supply nor an efficient distribution can be afforded by carriers. The requirement has been that there shall be the most efficient use

of tank and refrigerator cars, which has been one of the results of private ownership. While this has undoubtedly been of benefit to carriers, it has been of incalculable benefit to shippers as well.

Again on page 691, the Interstate Commerce Commission also reports:

These great shippers of perishable articles have used to the fullest extent their splendidly effective organizations to secure prompt service for their cars used in shipments of their products.

Now, the point has been made that the cars of the large packers make better mileage than the cars of the smaller packers. And the implication at least is that that means discrimination against the smaller packer. The reason for the better mileage of the cars of the large packer are, first, better supervision, which I have already referred to.

Second, there are more solid trainloads and regular routes and shipments on the part of the large packers than on the part of the smaller packers. That in itself is sufficient reason to account for a vast difference in the mileage made by the cars. The cars of the large packers, you know, move in solid trainloads, on rapid schedules, from Chicago to New York, for example. They move rapidly for freight trains, and they are sent back promptly. A smaller packer ships a car now to one point and at another time another point. He doesn't have a regular business, and his cars do not move on regular schedules, over regular routes, nor in solid trainloads.

Mr. HAMILTON. Do your refrigerator cars that go to New York come back empty?

Mr. WELD. Usually, yes.

Mr. HAMILTON. Why?

Mr. WELD. In the first place, the kind of goods that you carry in refrigerator cars does not move from east to west. That is the first and most important reason.

The second reason is, that goods such as do move from east to west would be either injured themselves by the dampness of a refrigerator car, or they would contaminate the car for our use.

And the third reason is, that it is necessary to get the utmost utility out of these cars. That is, that we have to have them moved back promptly in order to keep our meat supply going east.

Mr. HAMILTON. When you do carry them loaded from east to west, what are they loaded with?

Mr. WELD. I do not know. I could not answer that, but I can find out.

Mr. HAMILTON. Oh, well, that is not important.

Mr. WELD. It amounts to a very small matter, anyhow. In fact, the Interstate Commerce Commission went into that, and said that it was necessary for the efficiency of refrigerator car service that they be moved westward empty. I think Mr. Colver acknowledged that also.

Mr. HAMILTON. You undergo a loss in bringing all your cars back from east to west.

Mr. WELD. We get a mileage payment whether they are loaded or empty. That has always been the way in the handling of private cars. The railroads pay mileage whether cars are loaded or empty. Of course the railroads suffer more loss in one way than we do, because

they are not getting any freight rate. In the same way, railroads lose by having to return empty coal cars and grain cars to the producing region.

Mr. HAMILTON. Isn't there also a loss by wear and tear?

Mr. WELD. Yes, sir; there is that loss, and on depreciation. There is a loss to us, as we have pointed out, in the whole operation of our refrigerator cars.

Mr. HAMILTON. All right. Go ahead.

Mr. WELD. The point has also been brought out that cars rented by the small packers are not returned promptly, and some of them are lost for several weeks, as though this were the fault of the large packers. During the past three or four years, and especially when transportation conditions were so chaotic, a year or two back, we had hundreds of instances where cars were lost, and where it took us some time to get them back to us, in spite of our organization. At any rate, it is not the fault of the large packers if the cars of the small packers do get lost by railroads and are not returned promptly.

Mr. HAMILTON. How much money have you invested in refrigerator cars?

Mr. WELD. About \$8,000,000.

Mr. HAMILTON. Have you figured the percentage of profit from the use of these refrigerator cars?

Mr. WELD. Percentage of what?

Mr. HAMILTON. Profit.

Mr. WELD. I will have to ask our accountant what the situation is about that. He tells me that we lost about \$400,000 last year.

The CHAIRMAN. Yes; Mr. Swift said that your company lost about \$400,000, and Mr. Armour said about the same thing.

Mr. WELD. Yes, sir.

The CHAIRMAN. Go ahead.

Mr. WELD. One other point in connection with refrigerator cars is this, that they must necessarily be handled in large units with centralized management.

In the first place, the packing-house industry is bound to be organized into large units, as it is now, and I have pointed out to you why it is absolutely impossible to supplant the present system with a large number of small packers. In other words, the business has got to be done on a large scale, and refrigerator cars have got to be organized and managed by a large centralized organization in order to get any efficiency out of them.

Another point in connection with refrigerator cars, is that there is competition between the five large packing companies, who own the most of the cars. There is no monopoly. Anyone can build cars. Many small packers have their own, and there is no limit to the small packer except as measured by his initiative, in the development of his business.

The question of peddler cars was mentioned, and I am not sure whether that has been cleared up or not.

"Peddler cars" is not the right term to use, for the reason that the goods sold through our "car routes," as we term them, are not peddled. The goods are already sold when they are put into the cars. Salesmen go along to various towns along the railroad line and get orders. Those orders are filled at the packing houses, and a very

large percentage of our orders is actually placed in the cars on the days the orders are received at the packing house—and the cars are actually shipped out. The cars, as they reach the local stations, generally go along in the same train; in some cases we have a local drayman collect goods at the car door and deliver them to the retail butcher, who has already ordered the goods. In some cases the retail butcher goes to the station and gets the goods, especially in the smaller towns.

It has been suggested by Mr. Colver that it would be better to have the railroads operate this car route business instead of having the packers do it. I am afraid he has very little conception of the difficulty of handling this car route business. The cars have to come to the packing-house door to have the goods loaded. Mr. Colver's point was that by having the railroads operate them they would be open to other shippers as well as to ourselves. We always fill a car. There would be nothing gained by allowing somebody else to put stuff in that same car with ours, for, as I say, these orders are received, thousands of them every day, and they are probably, or a very large proportion of them at least, actually loaded in the cars and shipped out the same day the order comes to our plant. To have to wait around for other shippers, or to send the car to some central point for other shippers to put stuff in, would be absolutely out of the question. Each car goes to a certain number of specific towns, where orders have been taken by our salesmen, who precede the cars.

Mr. HAMILTON. What about a cooperative arrangement in certain towns by which certain families wanting certain kinds of meat might chip in together. Couldn't they make up an order to ship directly to some gentleman, for illustration, to represent them?

Mr. WEID. I do not know exactly what our policy is on that. If it is a place where we have no dealer I think there would be no question about furnishing the goods.

Mr. HAMILTON. Where you have a dealer they would come in competition with your dealer.

Mr. WEID. I do not know what would be done about that.

Mr. HAMILTON. So that the consumer under those conditions wouldn't be able to avoid the middleman's profits by dealing with you directly?

Mr. WEID. I do not know what our policy is but will try to find out in a minute.

But let me say that it seems to me that it would be a foolish thing for us to do, to antagonize a dealer that perhaps our salesman had visited off and on for a year, and finally established a good will, and had secured him to represent us—to be a distributor there of our goods to the consumers, and then go off and sell direct to a few parties who might club together and who after three or four months would quit the arrangement. Somebody would back out of the proposition and the arrangement would fall to the ground. We would be very foolish, I am sure, to break up our channel of trade distribution, that we have gained only after considerable expense and trouble, in trying any such experiment as that.

Now, I have consulted with some of our people here and I am informed that we do not do that.

Mr. HAMILTON. I imagined that you wouldn't want to do that.

Mr. WELD. It is a perfectly legitimate thing to protect your dealer or agent in that respect.

Mr. HAMILTON. I understand, and was simply seeing whether that was done in some instances, or whether it could be done, and I have your answer.

Mr. WELD. Mr. Swift has already suggested a possible action in connection with refrigerator cars in case you decide you want to do something. There is no reason, of course, for penalizing the large packers for their efficiency. You are not going to gain any greater efficiency by taking away the equipment of the large packers and scattering those facilities all over the country to every Tom, Dick, and Harry who wants them, and without the strong centralized supervision that now obtains through packer ownership. If it is found from your investigation that the small packer is at a decided disadvantage and that he needs and wants a greater supply of refrigerator cars—and we have not enough to supply ourselves—there would be no objection of course, to taking steps to provide such additional supply as these smaller packers need, either through Government acquisition of such cars or by requiring the railroads to furnish them.

I see that my time is short, and I shall not discuss stockyards, especially as that subject has been covered pretty well.

As to branch houses, it has been explained to you, I think, why the large packer must have branch houses, and how he has to have these holding stations, these distributing stations, where he assembles his supply of commodities when he needs them, and where he keeps a supply on hand. He has to have a selling organization, an accounting force, salesmen to sell meat, experts to run the coolers, delivery equipment, etc. This is all distinctly a part of the packing industry, and the large packer can not operate without a branch house organization. Therefore, they are not freight houses, as Mr. Colver said in his testimony. The goods are delivered, of course, on the track in carload lots, and the goods have to be held indefinitely in these houses, and there are thousands of orders coming in every day for a little of this and a little of that. So that even if the railroads should be required to furnish refrigerating facilities in the large cities in order to take care of meat, we would still have to have our branch houses.

HANDLING OF OTHER THAN MEAT PRODUCTS.

Now, speaking of handling other than meat products:

In the first place, there is no basis whatever for the statement that the wholesale grocery trade is doomed. Mr. Armour has already introduced figures to show that the number of wholesale grocers has been increasing in the last 10 years. It is an absolutely extravagant statement to say that the wholesale grocer will disappear in five or six years. In the second place, Swift & Co. only handles a very limited number of products. Besides strictly meat products, about all we handle is butter, eggs, cheese, poultry, canned goods, and soap. There is nothing of importance outside of these. The Federal Trade Commission, we feel, made rather an unfair investigation of this situation. They sent out questionnaires to wholesale grocers asking

them questions in such a way as to practically convict the packers to begin with—showing all they wanted was material to use against the packers. They never approached us on the subject and never sought an explanation from us.

Why do Swift & Co. handle these other products; that is, products besides strictly meat products?

Well, in the first place, you must realize that the whole selling operation, the marketing operation, involves expense that has to be borne by some one. Goods have to be assembled at certain points; storage facilities have to be provided; capital has to be tied up in goods; there has to be accounting machinery to take care of all transactions; there is the risk of loss from changes in prices and from deterioration in quality; salesmen have to be employed; delivery equipment has to be provided. All these things cost money.

I think you will agree with me that the most economical way of doing these things is the best for the country at large. Swift & Co. has built up probably the most comprehensive sales organization for performing these functions of any company in this country if not in the entire world. It has a system of about four hundred branch houses, all over the country, to which goods are carried, where they are stored, and from which we send out salesmen and distribute our products direct to retailer.

All these things that have to be performed, are performed through these branch houses. We could confine our selling organization to the sale of fresh meats or fresh meats and pork products alone; in fact, our selling organization was built up primarily to handle these products, but the more products we can put through the organization, the cheaper it is to handle not only the other products, but also our meats.

Volume is important. Other goods add volume and we are therefore able to establish branch houses in localities where we could not afford them, if we sold nothing but meat. The handling of other products therefore reduces our selling costs, and at the same time makes the distribution of our products more complete, and our service to the country more valuable.

Mr. MONTAGUE. I can see that with reference to certain by-products, but what is the limit of your policy?

Mr. WELD. Our policy has been to select the products that are absolutely allied to or affiliated with our business, either in the manufacturing end or in the selling end. It is a problem as to how far we should go in taking on other products. Let me say this: if we should take on a full line of wholesale groceries, our expenses would increase so that we would probably have no advantage over the wholesale grocer. To-day the cost of operating our branch houses is less than 4 per cent of the sales; the cost of operating a wholesale grocery house is from 8 per cent to 10 per cent of its sales.

I have these figures from the Harvard School of Business Administration, which made a special study of operating costs of wholesale grocers. I have a copy of their results here. The average cost of doing business for wholesale grocers is about nine and a half per cent. Our costs of operating are very low as compared with that cost, on account of our large volume of business and the fairly rapid turnover of goods in the branch houses. The turnover for our whole business

is only about three and a third times a year. The rate of turnover in the branch houses alone is, of course, much greater.

Mr. HAMILTON. Take your canned goods; do you sell cheaper than the wholesale grocer?

Mr. WELD. That is a very difficult question to answer. Our list prices, which we try to get, are undoubtedly approximately the same, quality for quality, with other dealers. We are going to get, of course, as good prices as we can for our products.

Mr. HAMILTON. But you can sell cheaper.

Mr. WELD. I believe we probably could, and come out fairly well. I mean, on our whole business. Another thing, it is very difficult to allocate costs, what it costs to sell meat and what it costs to sell canned goods.

Mr. HAMILTON. The average cost to the wholesale grocers is 9½ per cent and it only costs you 3 per cent so you can naturally sell cheaper.

Mr. WELD. Yes, sir; and that is the reason we have been so successful in developing the sale of canned goods, poultry, etc. Some of these goods are not handled to any great extent by the wholesale trade, for instance, poultry I think not at all, and there are some other things like butter and eggs, that we handle, but that the wholesale grocer does not handle to any extent. Eggs, for example, come through the country store and are shipped by him to a commission merchant or wholesale receiver in some large city. He will handle the goods and grade them, and then ship them or sell them. He may sell them through a broker in Chicago to a dealer in Boston, they may be rehandled in Boston, and sold to a jobber, and then to a retailer.

For collecting eggs, we have our buying stations in the heaviest producing sections and at central points, whence we ship the goods in carload lots, after they have been graded and packed, and they are shipped from these western points direct to our branch houses in eastern cities. From there the goods are delivered to the retailer, and of course because of the volume of business handled, we are able to handle them more efficiently and more economically than is the case with smaller dealers. We have developed the most direct route from producer to consumer.

Mr. HAMILTON. Do you deliver canned goods by the carload, or I mean, by car routes?

Mr. WELD. Yes, sir.

Mr. HAMILTON. Or route cars, is what I meant.

Mr. WELD. Yes, sir. We generally sell all our products through our car routes. In other words, we utilize our selling organization for selling these other products, and it would be a social and economic waste if we did not utilize this extensive and expensive distributing agency to handle these other products in connection with our regular meat products.

And I will say right now that there isn't a single one of our products that is unrelated to our business; each one is related either to the manufacturing end or to the selling end of our business. We not only use our vast selling organization to get orders and our delivery equipment to get the goods into the hands of the consumer, but we sell these goods to the same classes of dealers; and in many cases they have asked us to handle them.

Mr. HAMILTON. Do you sell canned goods to local grocers cheaper than the wholesale grocer sells them?

Mr. WELD. Not if we can help it. We get what we can.

Mr. HAMILTON. But you could do it.

Mr. WELD. That is a very hard question to answer.

Mr. HAMILTON. The consumer would get the benefit in that case?

Mr. WELD. The consumer undoubtedly gets the benefit—

Mr. HAMILTON. (interposing). I say he would get the benefit.

Mr. WELD. I say he already gets it. If we have any advantage in using our selling agency in handling by-products, poultry, canned goods, and so forth, we have forced the other fellow to be more efficient, and have had a tendency to reduce costs all along the line. We can not measure that in dollars and cents, however.

Mr. HAMILTON. You are standardizing your price—that is, the costs.

Mr. WELD. We are not exactly standardizing, but we are forcing lower costs and inducing greater efficiency, and raising the standard of service to the country.

Mr. HAMILTON. You are cutting under.

Mr. WELD. Possibly we have in the long run, although not so that you could measure it in dollars and cents.

Mr. HAMILTON. But you can undersell the wholesale grocer?

Mr. WELD. If we undersold the wholesale grocer 25 cents a case on canned tomatoes we would get all of the trade and the wholesale grocer would go out of the canned-goods business. I do not believe we could afford to do that. But with our vast selling organization I believe we do have some advantage over the wholesale grocer. But this advantage is gradually passed on to the producer and the consumer; and it tends to make the wholesale grocer more efficient.

Now, I want to call attention to this point; the proposal to restrict the number of our commodities is unprecedented. If you are going to limit our business, why not limit Heinz, with his 57 varieties? Why don't you limit Sears, Roebuck & Co.? There is just as much complaint in some quarters that the wholesale grocer has been extending his efforts into the manufacturing field as that we have gone into the sale of certain kinds of groceries. People who object to the wholesale grocers going into the manufacturing field would have just as much reason for asking you to restrict the field of the wholesale grocer, as the wholesale grocer has in asking that our business be limited.

The CHAIRMAN. Have you finished, Mr. Weld?

Mr. WELD. Yes, sir; I am just about through.

The CHAIRMAN. Mr. Morris is coming on at 2 o'clock and we want you to finish before we take a recess.

Mr. WELD. Does the committee want to ask any questions?

The CHAIRMAN. I think you have explained the matter very clearly.

Mr. PARKER of New Jersey. I would like to ask a question or two. Various packers have competed in various years before the Food Administration went into effect, in Government purchases. Have you any memorandum of prices made by packers for their various products?

Mr. WELD. I do not know that I could give you that information.

Mr. PARKER of New Jersey. If you can get it I will be very glad if you will put that at the end of your statement—a statement of any competitive bidding that occurred between 1913 and 1917, before the Food Administration came in.

Mr. WELD. Couldn't you get that from some of the Government bureaus?

Mr. PARKER of New Jersey. I do not think so.

Mr. WELD. I will look into it and see if I can furnish it.

The CHAIRMAN. The committee will now take a recess until 2 o'clock p. m.

EXHIBIT.

Sample of competitive bids on Government purchases as requested by Mr. Parker.

SEPTEMBER 18, 1917.

SWIFT & Co.,

Cont. and Inst. Dept., Chicago, Ill.,

We give you below list of bidders and prices bid on beef, mutton, and veal for supplying Third District Naval Force, for delivery to Naval Reserve Training Station, Rodmans Neck, Pelham Bay Park, N. Y., between October 1 and December 31.

	Swift.	Armour.	Morris.	Wilson.	Cudahy.	Dold.	I. Frank.	Conron.
Beef.....	17.72	17.98		17.92			18.124	20.00
Pork loins.....	31.83	29.47	32.00				34.00	33.00
Sides veal.....	14.99	15.98	16.18	16.72			15.25	20.00
Mutton.....	22.75	21.46	21.90	arg.			23.00	25.00
Franks.....	20.44	21.45	23.87	23.95			22.00	
Pork sausage.....	27.50	22.72	30.17				25.00	
Bologna.....	18.63	17.65	19.95	21.40			21.00	
Beef tongue.....	27.20	27.46	32.50	29.20			28.00	
Smoked hams.....	28.60	26.98	29.92	28.10			28.00	
Smoked shoulders.....	22.99	20.97	23.92	21.95			24.00	
Smoked bacon.....	37.70	36.47	39.67	37.40			44.00	
Beef liver.....	15.25	12.47	13.68	12.96			15.00	
Corned beef.....	17.35	16.47	20.25	15.40				
Head cheese.....	16.54	19.45	20.73	17.60			16.00	
Luncheon meat.....	25.72	25.20	31.97	28.92			16.00	
Beef hearts.....	13.00	11.97	12.50	11.98				

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

The CHAIRMAN. Mr. Morris, you have the privilege of making your preliminary statement without interruption until you have finished it, after which time the members of the committee will ask such questions as they desire. Just proceed, and we will follow the order we have with Mr. Armour and Mr. Swift, heretofore. Please state your relation to Morris & Co. and then make your statement in your own way.

STATEMENT OF MR. EDWARD MORRIS, PRESIDENT OF MORRIS & CO.

Mr. MORRIS. Mr. Chairman and gentlemen of the committee, as president of Morris & Co., I desire to thank you very sincerely indeed for the opportunity of addressing you on this occasion. The packers have not been heard on this subject. The people are entitled to know the facts. And you gentlemen should know the big, controlling facts in order to guide you as to this proposed legislation, which

is a clear departure from anything yet advanced in this country as a permanent peace policy. It is unfortunate that the packers in the past have not taken the people more into their confidence. If they had, I assure you that the feeling toward the packers would be infinitely more favorable than it is at present.

This is the first time it has been my honor to appear before a committee of Congress, and I am not informed as to your rules. I want to meet your views in all things, but if it is consistent with your rules of procedure, I will read a statement which I have prepared and then I will be very glad indeed to answer any and all questions which any member of the committee may desire to ask. Ordinarily, I prefer to talk directly and extemporaneously, but this is an important and complex subject, and so I thought it best to reduce my thoughts to paper, so that you would in the first instance get my views in a connected manner.

While the Federal Trade Commission in its sensational report is most unfair and unjust to the packers, treating them as criminals when there was no foundation in fact for such vicious treatment, still this honorable committee is in no way responsible for the report or any of the charges made by the commission and as the bill before this honorable committee is deserving of candid consideration on its merits, I shall disregard personality in so far as I can avoid it, in order to discuss and analyze the bill and the report of the commission, on which it rests, and which it is not only my privilege but my plain duty to do. But it will be my constant aim to discuss this matter with the great dignity due this honorable committee and yet with complete candor.

THE BIG PACKER.

There is an apparent prejudice in certain quarters against the big packers, commonly referred to as the five big packers, Swift, Armour, Morris, Wilson, and Cudahy. But I want to assure this honorable committee that if the facts were fully known and it was realized what tremendous benefits the big packer renders, both in war and in peace, this prejudice would be entirely dissipated and commendation would take its place.

Before taking up this precise subject, let me call your attention to the peculiarly hard position which the packer occupies. In the first place, he is dealing with a food product, a necessary of life, and which is highly perishable, and, on that account, must be sold quickly on the market. In the second place, the packer buys his raw material, the live meat animal, from the cattle man, the hog man, the sheep man, the farmer, the feeder, and the shipper, and they in turn want high prices for the live animal. In the third place, the finished product, meat and meat food products, is sold through the retailer, to the consumer, which is everybody. Naturally, the producer wants high prices for the raw material, and, just as naturally, the consumer wants the finished product as cheaply as possible, but the great difficulty is, that there can not be cheap meat on the table when the packer pays a high price to the producer for the live stock on the hoof. Consequently, the packer is constantly between these two great conflicting armies. Hence, it has always been popular in the past to investigate and abuse the packers. We have

reached the point now where it is proposed to enter upon new and dangerous fields of legislation, and others than the packers are necessarily interested and involved in this proposed paternalistic legislation, for the natural feeling of the people would be that if this is good legislation for the packer it should also be good for others as well.

SERVICE OF THE BIG PACKERS DURING THE WAR.

Let us first consider the service performed by the big packer during the war. Possibly no one is entitled to any great credit for performance of duty, and I want it distinctly understood that I am not asking for any credit, but it is perfectly proper that the indisputable facts should be known at this time, when there is such apparent willingness, in certain quarters, to criticise the five big packers merely because they are big.

If Napoleon, when he said that an army wins its battles on its belly, was correct, then I say to you that the war would not now be over if it had not been for the five big Chicago packers. I make that statement deliberately and challenge successful contradiction. This was one of the big industries that stood up and delivered the goods in the stress of storm. It never faltered and it never wavered, and it never asked, or received, one cent of assistance from the Government. Be it said to the eternal credit of the packers, that they made a smaller percentage of profit during the war period than the Food Administration authorized and approved. In the case of Morris & Co., the war profits were scarcely more than one-half what the Food Administration approved. This alone gives the lie to the charge of profiteering and should forever silence the charge of monopoly and illegal combination.

During the war, the packers maintained practically a solid string of refrigerator cars from Chicago and the western markets to the seaboard for France. Shipments of meats at times were at the rate of a car per minute for 24 hours a day and for days at a time. The business ran into millions of pounds. The Chicago packers slaughtered more than 15,000,000 head of cattle, calves, hogs, and sheep during 1918, or 3,000,000 more than in 1917, and paid \$725,000,000 in cash, for their raw material. For prime cattle they paid over \$20 per 100 pounds, prime cows \$18, and hogs \$21, and these packers, being big, paid cash for this raw material every day, besides paying a tremendous increase in cost for supplies and labor. Yet in the face of this magnificent showing, they are pilloried as criminals and the Federal Trade Commission has recommended this bill, which would destroy the great efficiency of this industry and probably in time the industry itself.

Due credit should be given to the patriotism of the producer. He came to the front and did his bit; but this would have been without avail if it had not been for the efficiency of the big packers. The total meat exported from this country in 1918 exceeded two billion pounds, and all of it moved with clock like precision, and yet the organization of the big packer was such that he was able to furnish the particular kind of meat that each one of our allies wanted. The five big packers furnished 95 per cent of the bacon used by the United States Army. Possibly the full import of that statement is not understood unless you also know that bacon, for domestic use,

can be put through the smoke house in two days, but the Government required eight days in the smoke house for the bacon used by the Army, this increased time being necessary because of the exigencies of warfare handling of the product. These big packers never wavered on this requirement, but turned over their entire smoke house capacity for Government use so the boys in France would get the best that could be produced. And to show the volume involved, I would state that three hundred and fifty million pounds of pork products were shipped to the allies in one month. You should also know that before this country entered the war, the allies called on our European branch houses, and they responded promptly and to their full limit, with products shipped from this country.

These packers are still feeding our Army, the Navy, the allies and the starving people of Europe, and while they fed the boys well, there being not a breath of scandal or even the hint of suspicion along that line, and while certain of these packers have been compelled to refinance on account of this heavy drain during the war, the Federal Trade Commission comes along during this period of reconstruction and before peace is even declared, and would have new and radical legislation enacted that would in time destroy this industry. The great accomplishments of the packers during the war were due solely to efficiency brought about by the close, personal attention to this business by the parties having financial interest therein for the last three generations. Now the Federal Trade Commission, although originally created to, and upon the promise that it would aid, assist and direct business, recommends legislation that would destroy all of that efficiency by putting this most useful and important industry in the hands of people unfamiliar with it. This question involves the welfare of all the people for all future time, and we must, therefore, in its discussion and determination, rise above politics to the plane of patriotism. I know that this honorable committee desires to adjust this matter with broad vision, on principle, and with an eye to the future.

While it is known by all men that the Chicago packers performed a patriotic duty in a patriotic manner, still that is not the point exactly. The point which I make is that if it had not been not only for their efficiency, but for their bigness, they could not have done what they did during the war. This is not intended as any criticism of the smaller packer. He also performed his work nobly during the great crisis, but was of course limited by his capacity. So before we criticise merely bigness in the packing industry, let us reflect upon what that bigness did in the cause of liberty and human freedom.

During these days we hear of the vast sums that are to be spent upon our Navy for future protection and safety, and yet this bill would now ruthlessly strike down an industry that would be absolutely essential to win any war in the future—just as essential as the dreadnaught, and yet our Government can gladly have the service of that industry, without expending one cent, providing it is not stricken down by radical and unjust legislation.

That is not all, however. The big packer accomplishes just as much for the people of this country in times peace as he did in times of war. That is not generally understood. Let me explain that briefly.

VOLUME AND BY-PRODUCTS.

Volume spells everything in the packing industry. If it were not for the big volume—and big volume necessarily means the big packer—the packer could not sell the meat as cheaply as he does to-day, because volume permits the packer to utilize all of the by-products, and the packer makes his profit out of the by-products alone—not out of the dressed meat. That is the vital difference between the big and the little packer. The little packer can not make use of the by-products to the same extent because he does not have sufficient volume to justify it, while the big packer utilizes everything around a packing house, and such utilization is to the benefit of the consumer, because it enables the packer to sell his meat more cheaply. The big packer has about 100 departments, which means the utilization of these various by-products, and yet this Federal Trade Commission complains because the packer has so many related interests. Would they have us go back to the old days when nothing in the way of by-products was used but the hide, the fat, the horns, the tail and the hoofs? All else went into the sewer, not only as a pure waste, but as a great detriment to health.

Of course, everybody knows what the big packer has done for the quality of the goods, at the same time saving the by-products for the benefit of the consumer. It is very interesting to learn whether the producer gets more out of the animal from the local butcher or from the big packer. At first blush, you might think that the producer would realize more from the local butcher because he would save freight, commission, and stock yards charges and shrink incident to shipment, but the Department of Agriculture has made a study of this question and in its report, No. 113, under part 5, entitled "Methods and Cost of Marketing Live Stock and Meats," we find the following language:

From 62 to 84 per cent of the gross returns on these cattle were received by the owner; while the retail butcher's proportion of the proceeds was from 16 to 38 per cent. These accounts, together with estimates from other sources, indicate that farmers ordinarily receive about two-thirds and the retailer about one-third of the total proceeds of cattle killed by local butchers. In general, it is apparent that farmers receive smaller relative returns from cattle marketed locally than from those that are shipped to centralized markets. The ratios appear to be determined to some extent by the grade of the cattle as well as the method of marketing, the farmer's share being smaller according as the cattle are of lower grade. The results strongly indicate, however, that the saving of the freight, stock yards charges, commissions, and other expenses, which saving is effected by selling locally, usually is absorbed by the butcher and does not find its way to the producer.

If this one subject could be understood fully by the committee and the people generally, the prejudice against the big packer, as such, would be effectually and forever disposed of; but I am sure this committee will not favor any legislation which would destroy not only the great efficiency which the packers concededly have but also individual initiative and personal effort to still further perfect these matters to the great benefit of the human race.

PROFITS.

Fortunately, there is one ascertainable bit of information which settles absolutely and effectually the question whether the packers deserve to be legislated against at all, and that is the question of

profits. The packer is merely a manufacturer and distributor standing between the producer and the retail butcher, who sells to the consumer. The efficiency of the big packers is conceded. The report of the Federal Trade Commission will be searched in vain for one bit of evidence pointing to inefficiency. With efficient conduct of the business being established, then if the profits of the packer are small, there can be no ground for complaint.

I am not going to say that the Federal Trade Commission maliciously and willfully attempted to deceive the American people on this crucial subject, but I am entitled to state the actual facts; and the fact is that the commission, when it gave out our profits, figured on the amount of our capital stock, knew that Morris & Co. was a close corporation, all of the stock being owned by the Morris family, and it knew that the company had only a nominal capital of \$3,000,000. It also knew that Morris & Co. had surplus and reserves amounting to \$42,000,000—the accumulation of over 30 years' intense labor—and yet it gave out to the public the profits of Morris in percentage figured on its nominal capital stock of \$3,000,000. I say in all fairness that the people of this country were entitled to have the exact facts from any branch of the Government on that particular subject, and especially at that particular time, when there was rightfully a bitter feeling against profiteers. But that is a fair sample of the unfair way in which we have been treated by the Federal Trade Commission in a hundred different matters.

I want to say to you, positively and unqualifiedly, that the profits of Morris & Co. for the last five years have averaged about 1.5 per cent on the turnover; that the profit of Morris & Co. for the last five years, including cattle, sheep, and hogs, has been 77 cents per head; and that the profit of Morris & Co. per pound of meat, for the last five years, has been a fraction under a third of 1 cent; that the profits for the fiscal year ending November 2, 1918, was 7.24 per cent on the total capital invested, including borrowed money, and 9.39 per cent on the money invested by Morris & Co. in the business; and while the sales of Morris & Co. in 1918 exceeded the sales in 1917 by more than \$100,000,000, still the profits were \$1,000,000 less than in 1917, and I respectfully defy the Federal Trade Commission to show that any of these figures are not absolutely correct. The commission has had access to all of our books and records and can easily confirm or disprove these statements. The incontrovertible figures tell the whole story and demonstrate not only that the fault is not with the packer, but also that the big packer is the friend of the consumer. They show exactly what volume means to the industry and the benefits that it means to the consumer.

COOPERATION.

I want to say to this committee that there should be the fullest possible cooperation between the Government, the packers, and the public. The interests of the three are closely allied and interwoven. The packers are manufacturers of a necessary of life. We are living in a day of new thought. Every business man, who has given the subject any consideration, realizes that he can not live unto himself. The packers realize that they are dealing with

a food product and should have the confidence of the consumer. Morris & Co. wants to cooperate with the Government. There should be complete cooperation between all industry and the Federal Trade Commission, because this commission was created to assist and direct industry. Each should be a mutual help and guide to the other—at least that is the attitude of Morris & Co.

There should also be cooperation and confidence between the packer and the producer and between the packer and consumer. But let me ask, calmly and without intending to be personal, what will be the effect upon production of a sensational report, by a branch of our Government, to the effect that the packers have a monopoly and an illegal agreement among themselves to divide the buy, to the detriment of the producer? There can be but one effect, that is, to lessen production. And what is the effect at the other end of the business, where the consumer is told by our Government that he is being robbed by a greedy and grasping monopoly? There can be but one effect, and that is, to cause less meat to be eaten, and this lessens the demand and ultimately injures the producer. This sort of thing is not constructive, helps no one, and injures the producer and every one connected with this great industry.

What has been the effect of this sensational report of the Federal Trade Commission upon the peoples of other countries? In this connection I would like to read an editorial from a London periodical, *Cold Storage*, in its issue of August 15, 1918, and which is as follows:

A DAMNING INDICTMENT.

If any one had suggested a year or so ago that the American Meat Trust was trading unfairly, the accuser would have had emptied on his head the vials of the wrath of the entire world outside the Central Empires. For one thing, the Big Six had gratuitously pledged themselves to pool their resources in the cause of the allies, and a blow at their good faith would have been regarded as a blow at our good American cousins in general. Furthermore, a suggestion that such a dastardly act as profiteering on a big scale was possible by any big corporation, while civilization was at death-grips, would have been an accusation almost too awful to utter against anyone making ordinary claims to respectability. Past history of "trust" practice was put out of memory by one and all, the trust's own pledge was accepted and—nothing was said until—until recently when the United States Government itself has spoken, out of the mouth of its Federal Trade Commission. We are glad that the painful word has been spoken from the other side of the Atlantic. Personally, we know a trust must always be a trust, that is, never to be trusted. But that such a damning indictment as "these packers have preyed upon the people unconscionably" should have been hurled at this trade octopus by the United States Government, as at a loathsome, carnivorous beast, this, indeed, is an object lesson for the whole world. The commission shows only too clearly that the Beef Trust has preyed upon producer and consumer alike; there is no pocket safe against its depredations. How dearly we would like every individual cattle and sheep raiser in Australia and New Zealand to learn this lesson by heart. "Ware beef trust" should be branded on every station in the Southern Hemisphere. Queenslanders and others, before now have airily discussed with us the bonhomie and the largesse of the American stock buyer, and have proclaimed him unfailingly a good fellow. Our warnings will now have the seal of the United States Government, and we hope that the commission's report will mark the growth of a great international movement to stamp out the trust career of the Big Six as a thing no less harmful in the world than Prussian militarism, whose first cousin it surely is.

It is evident, from the report itself, that the Federal Trade Commission expected that injury would result to these packers abroad, as indicated in this editorial, because in its report it says:

Out of the mass of information in our hands one fact stands out with all possible emphasis—the small dominant group of American meat packers are now international in their activities while remaining American in identity. The blame which now attaches to them for their practices abroad as well as at home inevitably will attach to our country if the practices continue.

The commission knew that its report would reach England and foreign countries, and so it did, because the commission directly and positively charged that these five packers aimed at “world monopoly” and devoted a lot of space to what they call an “international pool,” and the above comment of the commission in its report is quoted in London Pall-Mall of August 9, 1918, under the following heading:

THE WORLD-WIDE MEAT TRUST.

Startling Disclosures in America.

PROFITEERING.

Drastic Federal Action Proposed.

This brings home to us in full force what a branch of our Government has done for an American industry abroad. If this treatment were given to all American industry, what would become of our foreign trade and if our exports are destroyed, what is to become of American labor?

What does the American producer think of this sort of thing? I want to make the deliberate statement that if the export business of these packers is wiped out the price of live stock would within one year be cut in two. Every reasonably small producer would be wiped out, and then what would become of production and labor? The President, in his letter, indicated that meat food production was not keeping pace with the increase of population, and it is not, but this Federal Trade Commission has not done one blessed thing to stimulate production. On the contrary, its sensational report has had the direct effect of seriously and permanently injuring our export business, and in time, thus must reflect against the producer. During the war we heard a great deal about stimulating production of live stock, and yet a branch of our Government gives out a report that has dealt the cause of live-stock production a very severe blow and one from which it will not recover for many a day. It is unfortunate for all concerned that a branch of our Government would thus play into the hands of foreigners at the expense of American business and American labor. You don't see England doing this sort of thing.

The editorial itself shows that the packers stood very high in the estimation of our allies until this report came out, but this slanderous report is accepted abroad as authoritative, coming as it does from a branch of our Government.

No one likes to buy from a greedy monopoly and particularly from a foreign monopoly. Is it good policy to needlessly and wrongfully cripple our own home industry in these foreign relations and business, for if the effect of such reports is to cut down our foreign demand, it is bound to react against the producer in this country and this will in turn react against labor.

We have heard a great deal said in this country about American capital going out to capture the markets of the world. We are building a large merchant marine for that express purpose, but this is one industry that can not capture the markets of the world if our Government is to continue making such unfounded and sensational reports with reference thereto. The producer of live stock should realize this for he is the one who will suffer most in the end and of course, labor will be injuriously affected also.

I am informed that in England, since the war, the government cooperates with the various industries of that country on an entirely different basis from anything heard of in this country. The English Government is striving for efficiency to the point that if two companies in the same line of business do not produce the manufactured article at the same cost, the government, through experts, studies conditions at both plants to ascertain the reason for the difference and to bring the plant with the least efficiency up to the standard of the other company, so that there will be the lowest possible cost in both plants. Then they propose to go out and capture the markets of the world. In other words, the government cooperates to the point of bringing all up to the highest possible point of efficiency.

Unfortunately, the Federal Trade Commission works just in the opposite direction. It would destroy the efficient. Instead of building refrigerator cars for the smaller packer and bringing the smaller packer up to the point of efficiency attained by the big packer, the commission would take from the big packer his efficiency and strike down all initiative and individual effort and ambition in that direction, as well as the benefits derived by reason of years of active competition in a wonderfully efficient industry.

We are not living in a day where there should be any further destruction. There has been too much already. Let us hold fast to what we have and add to, rather than take away. Let us cooperate among ourselves so that there will be complete confidence between all branches of this great industry that we may present a solid front to do some business in the markets of other countries. That would lead to extension of cattle breeding and hog raising and if we are all pulling together we will come nearer to getting the business abroad than if we are pulling apart.

Distrust and antagonism created by these sensational and extravagant reports by a branch of the Government can not do anybody in this country any good and is bound ultimately to react against the producer and in turn will cut down production, which in turn will cut down the demand for labor, and then we will have the situation of the population increasing faster than the meat food supply and this, on its face, was what the letter of the President intended to correct.

It is possibly true that some of the misunderstandings between the producer and the packer come from the fact that neither understands the business or viewpoint of the other as he should. It is my idea that we should draw closer together and study the conditions and difficulties that surround each other in his respective business. I will not say that the packers have not made mistakes. Who has not? We are not infallible, but we have always been ready and will-

ing to make corrections and improvements, and that is our attitude to-day. If there are any errors or abuses that have crept into the industry, I say to you, in all sincerity, that so far as Morris & Co. is concerned, we are only too willing to correct them.

RECONSTRUCTION PERIOD.

I would say in this connection that this no time in this country to "rock the boat." That is true of all business. We must readjust business to new conditions, and while that is being done business should not be disturbed by radical legislation, unless there is some actual and crying need for it. Experiments, especially by theorists and impractical men in the dangerous field of paternalism, should be let alone. Of course, this committee will readily understand that in order to carry the load during the war, without asking aid of our Government, the packers were heavy borrowers, but in addition to that, our added cost of supplies and labor was enormous. Under these circumstances, we submit, in all fairness and justice, that even before peace is declared and while we are still expected to feed our Army abroad and the allies, this industry should not be disturbed and crippled by experimental legislation.

THE FEDERAL TRADE COMMISSION DOES NOT RECOMMEND THE TAKING OVER OF THE PACKING HOUSES.

The commission makes it very plain that it does not, and never will, recommend the taking over of the packing houses themselves. Of course not. There is a very good reason for it. It is because the producer, is one one side, and the consumer, which is everybody, is on the other side. The commission knows that there can not be high prices paid for live stock on the hoof and at the same time have cheap meat on the table of the consumer, and if the cattle man is not paid high prices for his cattle he will be heard from. On the other hand, if the meat is high the consumer will not remain silent. It is a physical impossibility to satisfy both. Besides, the packing business, above all other business, is complex and difficult. Each department which handles a by-product is a large business in itself. It requires absolute efficiency and will not run itself. It is not a business that can be successfully operated by men unfamiliar with its details, and the commission recognized that fact when it gave assurance that it did not want the packing houses themselves.

That is no reason in itself why this great industry should be crippled, if not destroyed, by the taking over of its instrumentalities. The statement of the commission that it would not take over the packing houses was for the apparent purpose of creating a feeling that the commission wanted to be fair and had no bias, but this bill which it recommended bears its true import on its face. The testimony of Chairman Colver has made it very plain that it is not necessary to take over the packing plants to accomplish what the Commission wants to accomplish, because these plants could be crippled, or even absolutely destroyed, under the license system proposed in this bill.

THE BILL.

As we turn to consider the bill now before this honorable committee, we might say at the outset that we are opposed to this bill, in the first place, on principle, because it means Government operation and possible Government ownership, and I do not believe that such paternalism is for the best interests of this country as a whole; and, in the second place, there is no foundation in fact, to justify this radical measure, taking property from parties who have built up an industry through efficiency and initiative; and, in the third place, the bill is vicious in its terms, unfair and unjust to the parties affected, and would in time destroy the efficiency of the packing industry, and at the same time be against the best interests of both the producer and the consumer.

Before taking up the details of the bill itself, there is one point I want to make very plain, and that is, that this bill means immediate Government operation or Government ownership, at the discretion of a President. As we all know, Government operation means inefficiency and inefficiency means deterioration of values. I want to say to this committee that if the Government is going to take over these properties, as a permanent measure during peace times, then, I submit, in all fairness, that the properties should be bought outright at this time and not after the property is run down and deteriorated in value through Government operation.

I am unalterably opposed to any such program. It is unfair and unjust to the present owners. Those in control under Government operation might have no interest to protect certain yards, as against others, and could, either through design or negligence, absolutely destroy the value of certain of these yards. In other words, one stock yards might easily be built up at the expense of another, just as it is said that, under Government operation, the business which naturally and properly belongs to certain railroads, has been diverted to other roads. Certain of these cars might be diverted to the carriage of fish, or fruit, and, in any event, the cars will in time wear out.

If we are to have Government ownership, let the adjustment be made now and according to present values when the property is taken over and not after its value is destroyed through inefficient operation. In that event, what would the packers do with their packing plants, if all of their instrumentalities are taken over as this bill contemplates?

This bill covers stock yards, railroads at stock yards, refrigerator cars, branch houses, cold storage, rendering and serum plants. I shall discuss, each in the order named, only the five big subjects, to wit, stockyards, stockyards railroads, refrigerator cars, cold storage and branch houses.

(a) *Stockyards and stockyards terminals.*—I will consider stockyards and terminals at stockyards at the same time, because their history is the same. It might be well to first understand just what a stockyards is. The Federal Trade Commission would treat a stockyard as a part and parcel of a railroad—that is, as a depot. This is entirely erroneous, as the basis of a stockyards is completely distinct and separate from that of a railroad. The railroad tracks

leading from the trunk lines of the carriers to the unloading docks and unloading pens are furnished by the terminal company and are defined by the act to regulate commerce as railroad facilities as "transportation" subject to that act. These tracks and unloading docks and unloading pens constitute a separate and integral facility and have no part in the handling of live stock at the market.

The duty of the common carrier, according to the Supreme Court of the United States, ends when it unloads the live stock into suitable unloading pens or chutes. And that is exactly where the work and duty of a stockyard commences. The live stock are then driven by employees of the commission men from the unloading pens, or chutes, to the pens of the stockyards for the purpose of being fed and watered and sold. These feeding and sales pens, in large stockyards, occupy several hundred acres. In other words, the stockyards is a market place, and, incidentally, the live stock are penned, rested, fed, watered, and weighed. When sold they are driven to the scales to be weighed and delivered to the purchaser. It is the work of the commission men to feed and water the animal, and it is always given all the feed and water, and especially water, that it can hold before being weighed to the packer.

The stockyards are always constructed to make as short a drive as possible for the animals before sale to the packer and thus prevent shrink, which would represent a loss to the shipper, especially as to hogs. The yards are divided up so that the cattle will have one division, the hogs another, the sheep another, and the horses and mules another. Cattle coming from tick-infested territories are placed in the quarantine section.

Let it be understood that stockyards could not exist without packing houses, because the packer furnishes the market at the yards; nor could packing houses exist without a stockyards, because the stockyards is where the packer gets his raw material. Consequently, the packer is directly and vitally interested in keeping up the yards and seeing that they are properly maintained so that they will be patronized by the producers and so that the packer will be assured of sufficient raw material with which to operate his plant. That is the real cause of the packer being interested in the various stockyards of this country, and that is the reason why he should be interested. It is also to the interest of the producer that the packer should be interested, because it means that he will support these yards, and that is exactly what the producer wants.

The idea of creating one central market in each live-stock center was the outgrowth of necessity, developed in Chicago in the year 1865, and has been followed successfully ever since in all of the leading live-stock markets in this country.

As a matter of history it might be said that originally each of the leading railroads entering Chicago maintained a terminal stockyard, just as Mr. Colver, chairman of the Federal Trade Commission, is suggesting in his testimony at present, but this plan did not work satisfactorily, either to the railroad, the shipper, or the buyer. This was due to the fact that the shippers and feeders found the best way to get the strongest competition, or the highest prices, was to have their stock where the buying strength was the strongest. Naturally, the buyers were more numerous at the terminals of the lines bringing

in the largest number of cars of live stock, and as a natural and necessary result the shippers patronizing the smaller lines were placed at a disadvantage because they could not get buyers to look at their stock until they had looked over the receipts at the yards of larger lines; and in many cases they could not sell their stock unless there was not enough at the larger yards to supply the demand.

This situation brought about the organization of the Chicago Union Stockyards. When these yards were first built, each railroad handled the stock in and out of the yards, which brought about long delays to shippers, because each railroad looked after only its own business, resulting in delays to the business of its competitors. The only way to overcome this difficulty and avoid these delays was for the stockyards to operate its own terminals where each shipper on each railroad would have equal rights with all other shippers entering the market.

This, in brief, is the history of the development of one central market, with its own railroad terminals, and this is the plan of all large industries, as well as all live stock, and after more than 50 years of operation it has been found to be the best plan for all concerned.

After the Chicago Union Stockyards were in operation and packing houses were built, live stock, in large quantities, from the South, Southwest, West, and Northwest, commenced moving in large quantities to Chicago. As a result, large feed yards were established by the railroads at junction points, viz, East St. Louis, Kansas City, Omaha, and St. Paul. The shippers, desiring to avoid the long and expensive shipping, continually urged the packers to establish packing houses nearer the point of production, with the result that in time packing houses were established at each of these feed yards and the Chicago plan of centralizing the market and creating union terminals was adopted as the best plan. This is the history of the development of stockyards and stockyards terminals in the cities of East St. Louis, Kansas City, Omaha, and St. Paul.

The railroads anxious to avoid the long hauls, with resulting claims, were anxious to encourage these changes, and have stockyards and packing houses established closer to the point of production, and place the stockyards and stockyards terminals into the hands of those interested in this line of business, feeling that there was no more reason for the railroads operating a sales place for live stock than that they should operate a sales place for any of the other products hauled by the railroads.

Naturally, the railroads turned to the packers for this assistance, feeling that if the packers could be induced to take an interest in the yards and build packing houses at, or near, the yards that then the packers, necessarily, would keep the yards in an attractive and workable condition.

Of course, the packer could not be interested in building large packing houses, entailing great investments of money at these points until he was assured of a steady and reliable market in the future, and, in most instances, an interest in these yards was acquired by the packers.

It must be apparent that it is to the interest of the producer that the packing house be located near the point of production, because

that will save both the expense of longer shipment and shrink in the animal. Accordingly, in time, stockyards were established at St. Joseph, Wichita, Denver, Fort Worth, and Oklahoma City, but this honorable committee will readily understand that the yards in the cities last mentioned must necessarily be much smaller than the yards in Chicago, East St. Louis, Kansas City, or Omaha. Some of these cities will scarcely support two packing houses, but in such cases it must be self-evident that it is to the interest of the producer, and the community where such markets are located, that the two packing plants should be kept going and that one should not be permitted to increase at the cost of the other, because this would necessarily result in "ruinous competition," and put one of the packing houses out of business, and this in turn would put the other out of business, because no market in the world can be maintained with only one buyer.

The original location of these small stockyards also presented the serious question of creating a market. There can be no successful stockyards without a packing house, and, on the other hand, there can be no successful packing house without stockyards. In case one of the packers would want to build a new packing house in a new territory and develop a new market, it must be perfectly apparent to this honorable committee that it would be absolutely impossible to get any outside capital to build the stockyards in such a case. This is the history of and the reason why the packers own both the packing plants and the stockyards in these smaller markets. It was simply inevitable, if these markets were to be developed in new territory. This was in the interest of the producer and everybody else connected with this vast industry. Yet a great deal is said in the report of the commission about these so-called "fifty-fifty" markets, as if this work in building up new markets in new territory close to the producer was a crime in itself. I only hope that this matter can be fully and accurately understood. The more light on that particular question the better.

Turning, for the moment, to the consideration of the terminals at the stockyards, I say it would be the height of folly for any large stockyards to depend upon any one railroad to operate the terminals at the yards, for it would be but natural to expect that this railroad would look after its own patrons first and best. It would also be the height of folly to expect to give all railroads opportunity to operate their trains in and out of the yards, because it would mean confusion and delay to all, and could not be done without loss of time and delays to stock, and anybody who knows anything at all about this business knows that it is of the greatest importance to the shipper to get his stock promptly to the unloading chutes, get them unloaded, fed and watered and in good shape to be exhibited for sale. On the other hand, delay means shrink, which is a loss to the shipper. Consequently, it has been found to the interest of all that the railroad terminals at these stockyards should be operated by the people who have but one interest, viz: to give to each live stock shipper the best possible service, so that he will be satisfied to continue to ship to that market. And that is the big, main reason underlying the organization and operation of these terminals at the stockyards.

One big fact stands out in connection with the stockyards and stockyards terminals, as to the report of the commission on which this bill is based, and that is, that no facts are given of discrimination and not a single instance is mentioned where the yards were not conducted efficiently and fairly and squarely in the interest of its patrons. In that connection it must be borne in mind that these stockyards are public markets, and, before the war, the railroad rates and charges at the yards were subject to the supervision and control of the Interstate Commerce Commission, so that it would be absolutely impossible for there to be any discrimination whatever, and there never has been any such discrimination. There is therefore no necessity for this bill from that source, because no advantage could be taken or given if such was the desire of any of the yards.

Let us consider for a moment the effect of the workings of this bill upon the stockholders therein, and at this point I might say that so far as the Chicago yards are concerned, neither Morris & Co., nor any member of the Morris family, or any one on behalf of either the corporation or the family, either directly or indirectly, ever owned any stock or interest in the Chicago yards whatever. I make this statement, not because it would be wrong or improper to have such holdings, but because there has been so much said in the public press and otherwise about the interest of the packers in the Chicago yards.

More than 9,000 shares of the East St. Louis yards, out of a total issue of 43,000 shares, are owned by people who have no interest whatever in the packing business.

Seventy per cent of the capital stock of the Kansas City yards is owned by people having no interest or connection whatever with the packing industry, and the stock is dealt in largely on the Stock Exchange, so that anybody can very quickly and easily acquire a substantial interest in these yards.

At Omaha and St. Paul large blocks of stock are held by others than the packers.

Suppose, for instance, that there is a certain stockyard in the Northwest that has, through its favorable location and careful management, made a success. Would it be just to its stockholders for Government operation, under this bill, to divert the business from such yards to other yards less favorably located, and yet that is entirely possible if this bill becomes a law.

To be more explicit—suppose a live stock shipper owns stock in the yards at St. Paul. Naturally he has a pride in such yards and works for their success. Would it be just to him to have his profits taken to build up yards for the live stock shippers of some other State?

I want to direct another question to the natural workings and effect of this bill. If this bill becomes a law, what incentive would there be for any one to build up any new yards, with the knowledge that when the yards get over the hard part and their receipts are brought up to 500,000 head per annum, that the Government would then take them over under this bill and conduct the business? I say that this bill will destroy absolutely all initiative, all incentive, and all effort to build up small yards in the future near the producer, because the moment they would reach the 500,000 limit they would come under

this law, and no one will work to build up a business unless he is to get the benefits thereof. In other words, the bill strikes at initiative and individual effort, and ambition, and particularly at the future of small yards near the producer.

I would also call to the attention of this honorable committee the fact that the report of the Federal Trade Commission will be searched in vain for any specific case where the shipper was injured as a result of the packers having an interest in the yards. On the other hand, the report itself cites numerous instances where stock was sold for more in these small markets because of the "support" of the particular packer interested in that particular yard. The great problem here is not the Chicago, Kansas City, East St. Louis, or Omaha yards. There are plenty of buyers on these yards and they will take care of themselves. But the most important question in the disposition of this particular subject is, what is to become of the smaller yards, the "fifty-fifty" yards, which exist now solely as a result of this support by the packers? Does the producer want that support withdrawn? Is it to the interest of the producer, or any one else, that the interest of the packers in these yards should be removed? Who will "support" them, if the interest of the packer in the yards is destroyed? In other words, is not this bill a move to centralize the live-stock business in the big yards, whereas the tendency should be to encourage and build up more small yards closer to the production?

I would also call your attention to the fact that not only no case has been cited where injury was done through packer ownership or interest in these stockyards, but also that no discrimination or unfair practices by the stockyards have been pointed out. And, more important still, no practice or evil under the present arrangement has been cited and which will be corrected through this bill. The ownership of the yards can not possibly affect the prices paid for live stock therein, because any one wanting to buy can buy any stock in the yards for sale. It is a public market. The stockyards company has no ownership interest whatever in the stock offered for sale in its yards. The stock is consigned to commission men, who take charge of the stock and handle it in the yards for the owner. The operation or ownership of the yards by the Government can not in any way, or to any extent whatever, make the yards more open or competitive than they now are.

Of course, I appreciate that possibly no great good would be served by discussing at length the province and workings of the terminals in the stockyards, because they are now under Government operation as a war measure and no one can tell at this time just what disposition will be made of the railroads. At the same time, I thought it but proper that you should know the history of these terminals and the reasons back of their present organization and operation, and particularly to make it very clear that the present great efficiency has been brought about through the one fact that some one interested in the industry and in maintaining and building up the market has centralized the live stock depots of these railroads so that all shippers would necessarily be treated alike and on the same basis, and so that discrimination would not be possible.

It must be very clear to this honorable committee that the packer could have no interest but the welfare of the yards, because the welfare of his packing industry is wrapped up in, and depends upon, the welfare and future of the yards. The great question under this bill is whether it is advisable to strike down and take away from these yards the interest which the packers now very properly have in them, and which the history of the business has shown to have been in the best interest of the yards and of their patrons.

Not that it would be decisive of the wisdom of this particular feature of the bill, yet I would like the proponents of the bill to advise this committee whether it is not the fact that under Government operation, while the rates for the operation of the stockyards terminals have been increased, these terminals have been operated by the Government at a loss. An answer to this inquiry would tend to prove two things, first, the efficiency with which these terminals were operated before the Government took over such operation; and, second, that they were operated on lower rates than those the Government now gets. In other words, it might be to some extent enlightening as to the advisability of Government operation for Government operation has had the benefit not only of increased rates, but also of increased tonnage, and this bill seeks to give operation, with possible ownership, of these facilities. This and any additional cost of Government operation is borne by the producer and consumer.

(B) *Refrigerator cars.*—The refrigerator car again emphasizes the importance of the fact that the packer is constantly dealing with a highly perishable product. Fresh meat must be properly refrigerated from the time it leaves the killing floor until it reaches the consumer. Hence, if the packer's product is to be sold at any distance from the packing house, there must be refrigerator cars, and they can not be dispensed with because a big part of the population is in the East and the packing houses are in the West.

The refrigerator car not only emphasizes the difficulty which the packer has in handling his product, but the history of its development also emphasizes the initiative, the ingenuity, the efficiency, and the foresight of the packer. It also tells, in unmistakable language, the great benefits which the development of the refrigerator car, by the packer, has brought to the human race, because it enables all people to get the benefit of all perishable eatables raised at any distance.

When we go back to the history of the refrigerator car, we again are met with the proposition that the refrigerator car was developed by the packer through necessity. Its development should properly have come through the railroads, and yet credit for the existence of the refrigerator car is entirely due to the big packer. In the early days, the packers could only secure common box cars from the railroads for shipment of this perishable product, which necessarily confined the business of the packer to a very limited territory, because box cars not only jeopardized the commodity itself, but limited the shipping season. Thus handicapped in the expansion of their business, the packers entreated the carriers to furnish them with some kind of car which would meet their requirements, but the railroads refused to finance any experimental work in this direction and forced the packer to invest capital to develop a satisfactory car.

When the car was developed, the railroads declined to build them, and the packers were compelled to invest the necessary money for construction, money badly needed in expanding the packing business at that time. Thus we see that the packer became the owner of refrigerator cars through necessity and because the railroads would not furnish them.

When the packers did build these refrigerator cars, the railroads then saw the possibility of greatly increasing their earnings by the use of the ordinary refrigerator car in the transportation of fruits, vegetables, dairy products, and dressed poultry, and taking advantage of the packers' ideas built cars for general use. But it is a fact that with very few exceptions, the railroads always have refused to build beef refrigerator cars, which must be built with larger ice tanks and more insulating material and heavier general framing to support the beef carcasses from the roof than the ordinary refrigerator car.

Let us discuss for a moment the great benefits that have come to the people generally through the development of the refrigerator car by the packer. Before the refrigerator car was brought into existence the people of this country very generally were supplied by the small local butcher, who bought a cow, a steer, a calf, one or two pigs or sheep, and slaughtered once or twice a week, as his business demanded, doing all the work by hand and offering the meats to the public within 36 hours from the time of killing, as a general rule no refrigeration at all being provided for. As a result, the product could not be in as good condition for human consumption as is the product of the modern packer, where every known device is used to put the meats in the best possible condition before being offered to the public. The small butcher could only save some of the more important by-products. In addition to the meat being in infinitely better condition, the entire animal is now used so that the packer can sell the meats at a lower price than actual cost, the packer depending upon these by-products for his profit. The big packers now have a large force of chemists, who are constantly endeavoring to produce more and more by-products from the offal, with the possible effect of keeping down the price of meats for human consumption. This is why the price of meat has not increased in the same ratio as has the value of land in the stock raising country, and every improvement of the packer acts as a brake against any further advance in meat prices.

In addition to that, the refrigerator car is used by the large packers to distribute meats in the best possible condition in communities which would not justify the maintenance of a branch house market. This is done by means of what is called the refrigerator, or peddler, car. Morris & Co. has 265 of these car routes touching 5,074 towns, the sales through these car routes for the fiscal year ending November 2, 1918, amounted to more than \$36,000,000. It brings to the home of the consumer in every section of this country, and sections of the country which would not support branch houses, the packer bacon for his breakfast and steaks and chops for his dinner. This alone is rendered possible by the refrigerator car, because a certain population is required before the overhead in connection with a branch house market is justified.

Morris & Co. has approximately 3,000 of these refrigerator cars for the use of which the railroads make a maximum allowance of 1 cent per mile, while it was shown by the railroads in the Western Rate Advance Case that it cost the railroads 1.637 cents to operate their own freight cars each mile a car ran. At first in order to encourage the packers to build additional equipment and to relieve themselves of the financial investment and trouble in connection with the operation, the carriers paid the car owners as high as one and a half cents per mile for every mile the car ran, loaded or empty. But in 1888, the railroads cut this rate to 1 cent per mile, and in 1894 to $\frac{3}{4}$ cent per mile, except generally speaking in the territory west of the Mississippi River, where they continued to pay 1 cent. This $\frac{3}{4}$ cent rate applied until October 1, 1917, when the packers, thoroughly convinced the carriers that they could no longer operate these cars in eastern territory on a $\frac{3}{4}$ cent rate, and the rate was then increased to 1 cent per mile.

However, since this 1 cent rate was made effective as of October 1, 1917, labor and material costs have so increased that this rate will not take care of car repairs and depreciation alone, making no allowance whatever for interest, administration, insurance, miscellaneous expenses, and profit. Taking these latter items into consideration, the result of operation of the Morris cars for the first 10 months of 1918 was at a loss of over \$20,000 per month. In other words, these cars were failing to pay for themselves out of the mileage they earned by approximately \$7 per car per month, without any consideration being given to any income on the investment.

In this connection it should not be overlooked that the packer, who owns his cars, pays the same freight rates as the smaller packer who uses cars furnished by the railroad without cost to himself. I have searched the report of the Federal Trade Commission in vain to find one word to the effect that there was any rebate, or undue allowance, to the packer on account of this refrigerator car. In fact, the report fails to show a single item or instance by which the big packer gets any advantage through the use of this refrigerator car, unless it be the fact alone that it is possible to ship his product because of the refrigerator car. If that is the true situation, then the relief granted should be that the Government should build refrigerator cars for the smaller packer or anybody else who has need for same, instead of taking from people their own property, which they developed at great cost and need badly in their business.

It is the fact that the big packers do not now have any more refrigerator cars than they need, and if this bill is passed it must be apparent that great injustice might be worked against the men who really developed this great benefit to the people, by diverting their cars to their competitors or for use in other lines of business. For instance, when the potato crop is at its height, or during the shipping season of the southern peach crop or some of the California fruits, these cars might be diverted, through stress of political influence from those particular quarters. Thus the men who developed and built these cars might be deprived of their use in their own business, and the live-stock and packing-house industry be badly crippled for the benefit of some other industry.

What particular evil is sought to be destroyed by the taking over of these refrigerator cars? None has been pointed out. The only

argument that I have been able to gather from the report and the testimony so far given is that the refrigerator car is one of the means of distribution of the big packer and if taken away from the big packer he would, to that extent, be unable to compete with the wholesale grocer. If the object of this bill is to cripple industry, then there can be no answer to such argument, because the bill would necessarily have that effect.

Surely the object is not to have the cars operated any more cheaply so that the consumer will get cheaper meat, because it can be absolutely demonstrated that these cars are not now being operated on a profitable basis. And, in that connection, it is quite significant, to say the least, that not one charge has been made to the effect that the packer gets any undue revenue out of the operation, or use, of these cars. Consequently it can not be said that the packer, through the use of the refrigerator car, is enabled to put up the price of meat to the consumer. Then why take these cars from the packer and give them over to Government operation, because experience has taught that Government operation is more expensive, and, if more expensive, to that extent must the cost of meat be advanced to the consumer.

Complete control of the packers' cars to prevent discrimination or other unlawful practices is now vested in the Interstate Commerce Commission.

A very extended and exhaustive study of private car lines has been made by that body in a very thorough and complete opinion on the entire subject. And at this point I would like to read into the record, as a part of my testimony, the decision of the Interstate Commerce Commission bearing on this subject:

For more than 90 years privately owned cars have been extensively used to transport commodities in interstate commerce. They came into use originally because the railroads would not, or did not, supply them in sufficient quantities to meet the demand. The packers, who are the largest users of refrigerator cars, including meat cars, state that they are perfectly willing that carriers should own all cars used by them, "provided they are insured at all times an adequate supply." The proviso qualifies their acceptance of the principle to the extent of practically nullifying it. If all cars were owned and furnished by carriers, in times of shortage the packers, as well as all other shippers of like traffic, would be entitled to no more than their fair share of all cars available. No class of cars in railroad service is used more effectively than the cars owned by large shippers. They have organizations of men to see to it that their cars move as promptly as possible, both loaded and empty. The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done by the intervention of private owners. The car lines have forces of experts to watch the crop prospects and to advise as to the needs of particular sections of the country, to secure cars and see that they are on hand for the transportation of all sorts of products in refrigerator cars. If there is a crop failure in one section of the country the cars are sent to other sections and are kept actively in use to the highest degree possible. The oil refiner produces certain kinds of oil and desires to reach certain customers. No carrier could inform itself as to his needs and insure that he would have the kind and number of cars to enable him to conduct his business economically and efficiently. If private ownership or control of cars of particular types results in greater economy and more efficient use, the whole public is to that extent benefited. As before stated, nearly 200,000 cars regularly used in interstate commerce are now held in private ownership. According to the statistical abstract compiled by the commission for the year ended July 1, 1916, there were 2,813,300 freight cars of all kinds owned and used by carriers of the country. It is probable that this amount is short about 20,000 of the number owned by the carriers on January 1, 1918; and assuming that on that date the total equipment of railroad-owned cars was 2,500,000, it follows that about 8 per cent of that number is privately owned.

In the beginning carriers could no doubt have insisted upon their right to furnish all equipment. They did not do so, and in the course of years there has grown up a system of private ownership of such magnitude and importance that it must be reckoned with as an existing condition. Some years ago certain car lines were owned by shippers, who received commissions from carriers transporting their traffic. This was unlawful as a commission to such shippers from published rates. No such commissions are paid at this time, nor have there been for many years. It also appears that some years ago carriers paid excessive allowances for use of cars to certain shippers, which amounted to rebates, but so far as this investigation has shown, there are no payments of that character now being made. The handling of private cars is now on such a basis that there does not appear to be any unlawful practice, so far as payments by carriers to shippers are concerned.

* * * * *

The system of the use and supply of private cars that now exists can not be at once and radically changed without serious consequences to shippers, carriers, and the public. At the hearings an endeavor was made to secure evidence with respect to normal transportation conditions. The abnormal condition of last fall and winter are admittedly not such as would indicate what would be just and reasonable practices, as a general rule, for carriers, shippers, private car owners, or the public.

It strikes me that unless some evil practiced by the big packer or some improper advantage to the big packer can be pointed out through his operation of the refrigerator cars, which are now being operated to the highest point of efficiency and at less than cost, then it seems fair and reasonable that these cars should not be taken from their present owners and turned over to the Government for operation, which means added cost, which in turn must be added, in the end, to the price of meat, and which the consumer will pay.

(C) *Cold-storage warehouses.*—The whole object of cold-storage warehouses in the packing business is to preserve the surplus meats produced from live stock shipped to the various markets until such meats can be advantageously marketed, but that is admittedly to the advantage of both the producer and the consumer. At times there are extraordinary runs of cattle, hogs, or sheep at the various yards. Sometimes this is due to usual causes, such as the end of the grass season for cattle or in the fall for hogs, and at other times it is due to something unusual and out of the ordinary, as for instance a drought in the Southwest or a cholera scare among the hog feeders. If there were no cold-storage warehouses to take care of this temporary oversupply this live stock could not be marketed. This would not be in the interest either of the producer or the consumer, because this would represent a clean loss to the producer and, reducing the supply to that extent, would necessarily enhance the price of the finished product, which would be to the detriment of the consumer. In fact, it would represent a clean loss to the general food supply of the Nation. Here, however, the cold-storage warehouse steps in and saves all of this food supply from waste. At the same time the packer must pay cold cash for this oversupply. He must "support" the live-stock market to that extent, and he does this because he is interested in the market. He is thus not only out the use of the cash paid for the live animals, but he must carry this product in storage until it can be marketed.

Possibly there is no disposition to give the packer any credit for this "team work," but the fact remains that we start out in the consideration of cold-storage warehouses, embraced in this bill, with the

admitted fact that the cold-storage warehouse is a good thing in itself. It performs a valuable service for the people.

Then why legislate on this subject unless some abuse has crept into the conduct of the warehouses, for we admittedly have too much legislation in this country now of one sort and another. The answer can not be found in the Federal Trade Commission's report unless it is that this legislation will help to cripple and ultimately destroy the big packers. There is absolutely no evidence of any abuse or mismanagement in connection with the cold-storage warehouses, but the cold-storage warehouse is one of the "instrumentalities" of the packers, and as the packing plants themselves can not be taken over, for political and other reasons, it is urged that all instrumentalities be taken over, whether good or bad, whether properly managed or not, and thus bring about at least the destruction of the efficiency in the packing industry.

Morris & Co. has but one cold storage warehouse, the Ashland Cold Storage, in Chicago, and which has a capacity of about 50,000,000 pounds. We store almost that amount in outside public warehouses for which we pay the regular published rates, regulated by the various State utilities commissions where the different warehouses are located. So I can not see where we have any possible advantage over our competitors through this one cold storage warehouse which we own.

Morris & Co., in addition to using the cold storage warehouse to take care of the surplus from big runs, to the advantage of both producer and consumer, also uses the cold storage warehouse for the handling of green hams and other fresh pork products.

This proposed legislation is no war measure, it is a permanent peace measure; but the remarkable circumstance in connection with cold storage warehouses is the fact that the report of the commission does not show any illegal or improper practice in the conduct of these warehouses, does not show where anybody has been damaged by such operation to any extent; and yet this bill would enable the President to practically confiscate this property because he could under the bill build or rent other cold storage plants altogether, and parties purchasing live stock require the meats to be stored in Government warehouses, leaving the packers' warehouses vacant, and then turn the proceeds into the revolving fund, under section 5 of the act, and build packing houses to compete with the packers with their own money. I submit that this is paternalism with a pretty strong hand.

(D) *Branch houses*.—A branch house is a market, or sales place, for the disposition of packing house products at a distance from the packing plant itself.

It is interesting to know the growth and development of these branch houses. In the early days, before the packers had developed refrigeration, beef in the large eastern cities was slaughtered in the adjoining towns, and hauled to the city in small butcher wagons holding from four to six carcasses after midnight, and was then sold before the sun got very high. In Boston, for instance, these wagons would stand around the Quincy and Faneuil Hall markets. In smaller cities, before the days of refrigeration, the animals were killed in the small local slaughterhouses, and while still retaining the ani-

mal heat were placed in the butcher shop, or in the market place, for sale the following day. This meat was necessarily sold at a high cost, relative to the cost of the live animal, owing to the fact that practically all of the by-products were wasted.

When the packing houses were built in Chicago the receipts of live stock soon increased to the point that local consumption would not take care of the fresh meats. Consequently it became necessary to find other markets, and the large part of the population being in the East that section was sought. At first beef was shipped to some of the eastern markets in box cars when the weather was cold enough, and sold at auction on arrival, but this wasteful and extravagant method was soon discarded. Necessity is the mother of invention, and necessity produced the refrigerator car, which in turn brought into existence the branch house because there would have to be a sales place for the product, and as fresh meat is highly perishable it would have to have proper refrigeration. The branch house was at first a crude affair, but the modern branch house costs from \$75,000 to \$250,000. With the demand for fresh and bright looking smoked meats and the desire to constantly improve the service and quality, facilities for smoked meats were in time added to the branch house, as were also sausage factories and other facilities which steadily added to the increased investment in the branch houses, but which enables the packer to bring down the interest of overhead operation and also the price to the consumer.

The branch house is ordinarily located on a switch track near the business center of the city and is managed by experienced men who know the wants of the particular community.

The branch house is in the interest of both the producer and consumer, because without distributing facilities which a branch house affords congestion would take place at the packing plant and there would be no market for the live stock. Consequently, it is to the interest of the producer that the packers have proper marketing facilities, so that the packer can always afford to buy the live stock on the market. The branch house is the only source through which the consumer can get his wants. It goes without saying, that it is also to the interest of the consumer that the packing plants be operated to their capacity, and this means volume. But this can not be done without the branch house as a marketing facility, because this is what enables the packer to dispose of the finished product. As the packing plants are now operated the profit of the packer is a negligible factor compared to either the price paid to the producer or by the consumer.

Morris & Co. established its first branch house in Philadelphia in 1885, its second in Baltimore in 1886, and its third in Washington in 1887. The company now has 186 branch houses, with 2,850 employees, and it also has 265 car routes, selling meat in active competition at all points. For instance, in New York City, in addition to the 5 big packers, there are 75 wholesale dealers and slaughterers; in Boston, besides the 5 big packers, there are 13 large wholesale dealers and 15 houses that buy from local slaughterers; in Fall River, in addition to several local slaughterers, there are 4 wholesale dealers who either buy in carload lots or sell beef for other concerns on commission; in Providence there are 9 wholesale dealers, aside

from the large packers, who buy or deal on the market and purchase in carload lots, and there are 5 local slaughterers; in Pittsburgh there are 12 or more wholesale dealers and about 9 local slaughterhouses; in Detroit there are 7 local packers, 4 sausage manufacturers, 3 commission houses, and 6 car routes working the city, aside from the 5 big packers; in Philadelphia, in addition to the large packers, there are about a half dozen slaughterhouses, as well as 4 or 5 wholesale dealers; in Altoona there is 1 packing plant and 3 firms that buy in carload lots, about 6 wholesale dealers, and 2 of the small packers operate car routes into the city; in Cleveland there are 10 local slaughterers, 11 branch houses, 3 car routes, and 4 dealers who purchase in carload lots, besides the 5 big packers; in Memphis there are 6 firms that buy in carload lots and about 5 wholesale dealers.

This is simply characteristic of the active competition that Morris & Co. has in practically every city in which it operates a branch house or a car route.

I would call your attention to the fact that the theory of the Federal Trade Commission, as to branch houses, rests upon a false premise. Their theory was no doubt very accurately stated by Chairman Colver in his testimony before this honorable committee, in the following language, to wit:

That having been transported and the fresh meat arriving at its first destination it is natural and reasonable to suppose that a proper freight house should be provided for its receipt and care, just as proper freight houses are prepared for the receipt and care of any other kind of merchandise that is sent over a common carrier; and that such freight houses should be open to all, on equal terms. But we found that these freight houses were not freight houses at all, but were privately owned, and to a great extent privately owned by the five packers, to whom we are directing your attention, and the use of these facilities was not granted to competitors in the same line of business.

This is certainly preposterous, if not absolutely ridiculous. Freight houses are not sales houses, and a common carrier is not required to, and should not furnish sales houses. Just contemplate that for one moment. Think of a railroad company furnishing sales houses in every city of the Union for all classes of freight, for if this theory is sound as to fresh meats it is sound as to all other classes of freight. We submit that some other excuse must be found for taking over the branch houses, for this is, on its face, merely a subterfuge.

The big, significant fact stands out that no wrongful conduct has been pointed out by the commission in the management, or control, of the branch houses, excepting that the managers visit the coolers of their competitors to see what stock they have on hand. That is so perfectly silly, because the bill would not stop that, a legitimate practice and a thing that is indulged in in all reputable and properly conducted businesses.

The funny thing about that (if there can be anything funny on such a serious subject) is, the Government, through the Bureau of Markets, under the Department of Agriculture, makes daily and weekly printed reports of the market conditions in all of the big cities, and at this point, I would like to read from one or two of these reports, which give the prices and general conditions of the market. I would call your attention to the New York report of September 27, which speaks of a "flood" of light western dressed steers and cows, of medium and common grades, which "not only

demoralized the market on the poor grades of beef, but forced prices down on everything but choice meats." This is the language of the Government.

[United States Department of Agriculture, Bureau of Markets. Chicago, Ill.]

WEEKLY REPORT OF MEAT TRADE CONDITIONS FOR WEEK ENDING SEPTEMBER 27, 1918.

GENERAL MARKET CONDITIONS.

Boston.—The market has been in an unsettled condition and the demand poor and uncertain throughout the week. The serious health conditions of the district have been reflected in lessened and irregular demand and a shortage of labor to move stocks when sold.

New York.—Receipts were too liberal for the trade to handle and prices made a rapid decline. The market was at times uneven, but was always lower.

Philadelphia.—Still further declines, heavy receipts, and low average quality of beef have been the principal features of the general market this week.

Washington.—Liberal receipts in connection with a poor demand caused a dull and weak market and declining prices on all classes of meats.

BEEF.

Boston.—Receipts of steers were increased, but there were not a sufficient number of choice steers offered to determine a market. Scattered sales were made at \$82 to \$28.50. Demand for good steers was light, and under the increased receipts the market was dull and weakness was reflected in a slower market, but prices were not noticeably lowered. More grass steers were received than last week and prices lowered \$1 per hundredweight; the bulk of offerings were frozen the latter part of the week. The heavy run of medium and common cows continued, and by the middle of the week prices reached the low mark of 50 cents per hundredweight, under last Friday's close. Heavy movement to the freezer Wednesday and Thursday relieved the accumulation and prices returned to the level of Monday's openings, but dropped again to-day with cessation of freezing. Few good cows were offered and prices were steady. Light receipts of bulls were in little demand, and prices are a shade lower than Monday. Kosher trade was supplied mainly with cows and medium steers. Prices held steady.

New York.—The flood of light western-dressed steers and cows of medium and common grades here this week not only demoralized the market on the poorer grades of beef but forced prices down on everything but choice meat. Some cheap forees were boned, and low bids were accepted on the hinds in an effort to keep stocks moving. The market to-day looked \$5 lower than two weeks ago; steers of a kind that brought \$22 to \$24 then were hard to sell the last of this week for \$17 to \$18, and common cows had little value; bulls were sacrificed in like manner. The kosher market opened steady at last week's prices with a fair call, improved slightly Wednesday afternoon, but closed weak with a light demand. City dressed hinds and ribs of good quality remained steady, but poorer grades weakened.

Philadelphia.—The quality of the beef receipts shows the fall movement of grass cattle at primary markets is in full swing. Good and choice cattle are scarce and separated by a wide margin in prices from the bulk of receipts. Choice steers have held to \$29 whenever offered, and good cattle at \$25 to \$28 have been steady, although a little slow at the close. Medium grades show \$2 to \$3 losses; in fact the decline has been greater on this class than on the real common stuff, making a much narrower spread between poor undesirable kinds and the somewhat better grades of light cattle. Cows have been in heavy supply and show as much or more loss than steers. Bulls were in fair supply and declined toward the close. Kosher trade shows weakness since the opening, due to heavier receipt and the holiday over this week's close, which has somewhat lessened the demand.

Washington.—Receipts of beef were heavier than last week, which, with the carry-over, made a very liberal supply and caused the market to weaken. Prices began to decline Tuesday, and the market closed \$1 to \$2 lower than Monday's opening. The bulk of the receipts were of the poorer grade, and few good and

choice cattle offered failed to bring the desired prices on account of the large spread between them and the other grades. Hind quarters continue in very poor demand, while fore quarters sold well most of the time.

VEAL.

Boston.—Liberal offerings of western dressed veal and a poor demand weakened the market, and prices are 50 cents to \$1 per hundredweight lower than Monday's opening. Local slaughtered calves are firm.

New York.—Too many heavy calves together with excessive receipts of skinned veal glutted the market. Prices were unevenly lower under forced sales. To-day prices on good veal calves remain around \$27 to \$28, but heavy calves range from \$16 to \$24, while skinned veal sold from \$11 to \$12, with many sales lower.

Philadelphia.—Receipts of heavy calves have been excessive following last week's liberal run, and all conditions were in buyers favor. Prices show wide range at \$10 to \$14, and irregular losses of \$2 to \$3 with many going over unsold. Choice light western veal has been in fair supply and sold from \$22 to \$26.

Washington.—Receipts of western dressed were liberal and local slaughtered was moderate. The market opened in line with last week's prices, but under the poor demand declined \$1 to \$2 during the week. Local slaughtered sold at \$25 to \$28, and heavy western calves at \$12 to \$24.

PORK.

Boston.—No new developments were noted in the pork market. Demand for loins was light as the supply at times was insufficient and prices advanced 50 cents to \$1 on light loins. Heavy loins are draggy even with the scarcity. Fresh shoulders returned to last week's closing prices after a slight weakness the first of the week.

New York.—Pork receipts were a little heavier this week, but with the cooler weather stocks moved well and prices held practically steady from Monday to Friday. Heavy loins dragged somewhat, but little change in prices was noted.

Philadelphia.—Pork was in moderate supply after the previous week's light receipts and with cooler weather the opening trade was active and firm. Toward the close prices were weak to \$1 lower.

Washington.—Receipts although far heavier than last week were moderate and just about sufficient to meet the demand. The market closed unevenly lower on local dressed loins at prices ranging from \$44 to \$48, and fairly steady on frozen western dressed loins at \$38 to \$40.

LAMB.

Boston.—Liberal receipts and an accumulation of medium and common lambs caused a weak market on all grades. A noticeable feature of the week's trading was the wide range of prices paid for choice lambs, at some times amounting to \$2 to \$3 per hundredweight on lambs of the same quality. Delayed cars to-day gave the market some strength on early sales, but the late unloads will not be cleaned up.

New York.—Prices declined daily until to-day very decent meat was sold from \$22 to \$24. A constant effort was made to keep stocks moving and lambs had to be forced out at the lower prices.

Philadelphia.—Arrivals of lambs were irregular and caused an unsettled market. The week's supplies were only moderate, but arriving bunches caused considerable variation in values and a wide daily range. Strictly choice fresh lambs have met a fair trade at prices about \$1 to \$2 lower than Monday's average, but stale stock and medium grades have had an indifferent demand and still greater declines.

Washington.—Moderate receipts of lambs were more than the demand absorbed readily. The market weakened on Wednesday and Thursday, but as expected cars did not arrive; it strengthened again and prices were fully as strong Friday as on Monday.

MUTTON.

Boston.—Bulk of offerings were of poor quality. A few good mutton were saleable at firm prices, but all other grades were weak and draggy.

New York.—A very weak and draggy market resulted in some decline in prices. Common mutton was not wanted and poorer grades were had to sell at the decline.

Philadelphia.—Mutton receipts have been of fairly good volume, and while the demand is not broad the consuming trade is slowly getting back to its use again after several months' absence, due to light summer supplies. Prices are closing \$1 to \$2 lower with the market slower on heavy and coarse sheep.

Washington.—The light offerings of mutton sold slowly at a wide range of prices, \$12 to \$18.

MARKET CLOSING.

Boston.—Market is cleaning up unevenly on account of late unloading, due to labor shortage. Considerable veal, lambs, and mutton remains to be sold and trading is practically at a standstill. The light supplies of pork were disposed of early.

New York.—This market is going out in bad shape. The pork market alone remains steady on the clean-up. A strenuous effort is being made to clean up on veal, lamb, and mutton, but some beef will be carried. A heavy storage on sold stock is reported.

Philadelphia.—The market is closing draggy on all but good beef, and some of to-day's arrivals were not unloaded, so stale supplies could be moved. Lambs were being slowly cleaned up at irregular prices. Handy weight mutton was well sold, but common and heavy sheep were closing slow. Pork was sold out. The market on heavy calves is demoralized and very liberal supplies are still in the coolers.

Washington.—The market is closing weak on beef, and there will be a liberal carry over. Veal is cleaning up slowly. Pork is practically all sold, as are all lambs, except some that were unloaded late to-day.

A. D. SMEBY,
Local Representative in Charge.

[United States Department of Agriculture, Bureau of Markets. Chicago, Ill.]

WEEKLY REPORT OF MEAT TRADE CONDITIONS. FOR WEEK ENDING JANUARY 10, 1919.

GENERAL MARKET CONDITIONS.

Boston.—Lighter receipts and improved demand produced a strong market. Because of the sharp advance in prices and short supply, storage was cleared up early and some frozen stock was used.

New York.—The opening on Monday found the market with a small carry over, lighter receipts and delayed shipments, and a tendency to a strong and higher market.

Philadelphia.—Following the appearance of strength at last week's close, the market this week opened with sharp advances in prices on all fresh meats. Receipts were lighter and late in arriving, while the demand broadened very extensively under the wintry conditions prevailing.

Washington.—Lighter receipts and practically no carry over produced a strong market and rising prices on all classes of meats; the demand was good on everything and oftentimes exceeded the supply. Lambs and veal were very scarce.

BEEF.

Boston.—Steers were more in demand than for some time, and at \$1 per hundredweight higher prices. Good cows made successive gains of \$1 per hundredweight each day and are closing \$4 per hundredweight higher than a week ago. Demand for poorer grades showed less improvement, and the increase in prices was but \$2 per hundredweight. Some beef was withdrawn from the freezer, and \$15 to \$19 per hundredweight was realized, according to quality. The bull market was dull, and sales were made at 50 cents to \$1

1000 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

per hundredweight higher. The kosher market strengthened \$2 per hundredweight with a little lighter supply and improved demand.

New York.—The general quality of western dressed receipts were better than for the past two weeks on all grades of steers and cows. There was a narrowing of the range in prices between the common and good grades. Good steers advanced only 50 cents per hundredweight as compared to \$1 per hundredweight on medium and common grades. Light receipts and good demand caused the market on cows to advance from \$3 to \$4 per hundredweight on good grades, and \$4 to \$5 on common and medium grades. Bulls were in light receipts, mostly of the common grades, and advanced \$1 per hundredweight over last week's close.

Philadelphia.—Receipts of beef were much below normal. Quality was mainly medium to good, both choice and common beef being comparatively scarce. Commoner kinds showed the greatest advance, selling fully \$4 higher for the week, while no cattle were quoted over \$30, steers selling at \$26 to \$28 show an appreciation of from \$2 to \$3. A good supply of frozen beef came on the market and sold generally \$2 under the same grade of fresh beef. Cows were in much lighter supply than for many weeks and took the full advance shown on steers. Bulls were in almost nominal supply. Kosher fores were strong and higher, considering quality.

Washington.—The receipts of beef were not as heavy as last week, practically all cars being delayed in transit; the market held steady until Thursday when there was an advance of \$1 to \$2 per hundredweight. Good and medium steers sold readily at prices of \$22 to \$28, while the common kind brought \$18 to \$20. Good and medium cows sold at prices of \$16 to \$22 while a few common brought \$15. The demand was good at all times.

VEAL.

Boston.—Receipts were lighter than usual and mainly of medium quality western dressed veal. Demand has not improved as for other classes of meat and prices have been about steady at \$15 to \$16.50.

New York.—Choice veal calves have been in limited supply and in urgent demand during the entire week, sales ranging from \$26 to \$32 per hundredweight, the heavier grades selling from \$22 to \$27. Sides and skinned veal were in moderate receipts, strong market, and brisk demand, selling from \$19 to \$22 per hundredweight. The withdrawals of frozen veal were in evidence this week.

Philadelphia.—Offerings of veal were light and the higher opening prices were followed by another \$2 to \$3 advance before the close. Choice light veal stopped at \$30 to-day. Frozen veal ranged from \$16 to \$27.

Washington.—Western dressed were in light receipts, the market remained steady and the demand good. Prices ranged from \$20 to \$25. Local slaughtered calves were very scarce and sold readily at \$30 to \$32 to-day, which was an advance of \$2 over the opening of Monday's market. The veal market cleaned up daily.

PORK.

Boston.—With lighter receipts of loins and a better demand, prices are \$2 per hundredweight higher than last week's close. Fresh shoulders sold well on a steady market.

New York.—Light receipts with good demand caused a strong and higher market, prices ranging from \$32 to \$35 per hundredweight, according to average. Frozen loins were withdrawn to meet the demand. Market closes stronger with supplies cleaned up.

Philadelphia.—Pork receipts were much lighter than for many weeks. An active demand gave the closing market a firm understone at prices \$2 to \$3 higher than the opening. Loins to-day selling at \$32 to \$35.

Washington.—The receipts of pork were heavy and the demand good, the market held steady throughout the week. Local loins sold at prices of \$40 to \$42 while western loins sold for \$35 to 38.

LAMBS.

Boston.—The limited supply of fresh lambs was insufficient for the demand, and after \$2 gain at opening the market reached \$32 per hundredweight, which

is \$6 per hundredweight above last week's close. Frozen lambs were in good demand at \$26 to \$28 per hundredweight when fresh stock was not available.

New York.—Extremely light receipts and demand exceeding the supply caused an unprecedented advance in the lamb market, choice lambs selling at an advance of \$14 per hundredweight from the low points of Christmas week. Heavy withdrawals of frozen lambs which met with ready sale prices ranging from \$26 to \$30 per hundredweight the week's sales of frozen lambs has practically cleaned up local stocks.

Philadelphia.—The lamb market responded quickly to the lighter receipts Monday, advancing \$2 to \$3 over Friday's prices. With very light midweek arrivals, prices strengthened \$2 more before the close, and good choice lamb: to-day moving quickly at \$31 to \$33. Frozen stocks opened at \$25 to \$26 and closed at \$26 to \$28.

Washington.—Receipts of lambs were very light and fresh lambs were scarce. Choice lambs sold at premium of \$30 to \$33. Frozen lambs were offered at \$25 to \$27 and sold very readily, on account of scarcity of fresh stock. A few common frozen ones had to be sold at a concession, some going as low as \$20. Oftentimes the coolers were bare of stock.

MUTTON.

Boston.—The quality of mutton improved and the market strengthened from lighter receipts and the advance in lamb prices. Good mutton is \$4 to \$5 per hundredweight higher but poorer grades show a gain of but \$1 to \$2 per hundredweight.

New York.—Light receipts and a good demand caused the market to advance \$4 to \$6 per hundredweight over last week's close. Withdrawals of frozen mutton found ready sale at prices ranging from \$16 to \$22.

Philadelphia.—Aided by sharply reduced supplies, also the scarcity of lambs, mutton advanced sharply and irregularly, little attention being paid by buyers to weight or coarseness of quality in bidding on the offerings. The market to-day was \$2 to \$3 higher than Monday, fair to good ewes and wethers ranging from \$20 to \$24 with fair quality. Frozen stock \$16.50 to \$17.50.

Washington.—There was not enough mutton here to make a market.

MARKET CLOSING.

Boston.—The market is cleaning up well and closing strong on all classes of meat, particularly lambs and better grades of beef.

New York.—The market closes strong on all classes of meat and stocks cleaned up, a number of cars being delayed on account of the strike of harbor employees.

Philadelphia.—The close was strong at the high point of the present advancing price movement on all meats. Most of the late stock was contracted for in transit with every condition of trading in the seller's favor.

Washington.—The market is closing strong on all stock and everything will be cleaned up to-day. Most coolers cleaned up daily and trade had to go begging for stocks.

S. W. DOTY,
Local Representative.

[United States Department of Agriculture, Bureau of Markets, Washington, D. C.]

WEEKLY REPORT OF MEAT-TRADE CONDITIONS FOR WEEK ENDING JANUARY 24, 1919.

WASHINGTON.

GENERAL MARKET CONDITIONS.

During the week the undertone of the market was very unsettled and prices declined about \$1 to \$2 on most everything excepting pork, where there was a much greater decline. The receipts were about as large as last week. Buyers in general were not taking hold. The majority were willing to wait further developments.

1002 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Beef.—The receipts of beef were in line with last week. The demand was below normal, and the market declined \$1 per hundredweight. Concessions of a large character were offered buyers to-day, but few sales are being recorded. Medium and good steers sold for \$20 to \$26, while common stock sold at prices of \$16 to \$19. There were a few good cows offered and sold for \$18 to \$19.

Veal.—The veal market continues at a standstill on local slaughtered stock. The market held steady throughout the week. The supply was light and the demand was poor. The receipts of western dressed veal were light, the market steady, and the demand just fair. There were a few frozen veal sold as low as \$10 to \$14.

Pork.—The activity manifested several weeks ago in the pork markets has subsided and the market has gone back into the old rut again. Prices favored buyers at all times. Unfavorable weather the early part of the week was chiefly the cause of a decline of \$2 to \$12 below last week's close. With cooler weather to-day the market braced up and prices started again skyward. Local loins sold for \$28 to \$30, while fresh western loins brought \$18 to \$27.

Lambs.—The market on lambs was draggy until to-day, when with the favorable weather prices began to rise again. The demand was light and salesmen were willing to let go at any prices, but buyers were missing. Good and choice lambs sold for \$22 to \$28, while a few of the common kind brought only \$15. Trimmings were the hardest sellers of the lamb cuts, many sales being recorded at ridiculously low prices.

Mutton.—There was not enough mutton here to make a market.

Market closing.—The market is closing with a little better feeling, but "Anything to get rid of stock" is their slogan at present, and yet there will be a carry over of all stocks and a clean-up is beyond expectations.

BOSTON.

General market conditions.—A serious condition of general inactivity marked the week's business, with the volume of business greatly reduced, the trend of prices downward on all classes of meat, and trading very slow at the weaker prices.

Beef.—The decline in beef prices, which was in progress last week, continued. Accumulation was prevented by liberal movement to the freezer of both steers and cows and some delay in cars. Steers moved slowly at prices \$1 to \$2 lower. Good to choice steers suffered most, and a wider decline on medium and common kinds was prevented by freezing. Good cows opened \$1 weaker and closed fully \$2 lower than opening prices. The decline on medium and common grades was limited to \$1 per hundredweight at the lowest point, and 50 cents per hundredweight was regained the last two days of the week. There was little variation in the bull market at \$14 per hundredweight on those of ordinary quality and up to \$15 per hundredweight on good bulls. The general weakness of the market was shown in a sharp drop in the kosher market, especially on the poorer grades.

Veal.—Because of light receipts, veal escaped the weakness of other classes of meat. Both western dressed and local slaughtered calves maintained last week's price level.

Pork.—Early clearance to-day in some houses widened the range but in general the market at \$23 to \$25 on light loins is \$3 lower than Monday's opening. Fresh shoulders dropped \$3 to \$4. Some loins were frozen but with no appreciable effect on the market.

Lambs.—Opened sharply lower on Monday and the weakness continued, but there was considerable freezer activity with the result of little variation in prices until a decline of 50 cents to \$1 per hundredweight on Friday.

Mutton.—All grades of mutton declined \$1 per hundredweight during the week after opening, \$1 lower than the preceding Friday's close. Poorer grades were not wanted at a wider decline. Some mutton was frozen.

Market closing.—Beef is practically cleaned up excepting some lots of steers, but there is considerable accumulation on the storage rails. Steers and good cows closed weaker than at any time during the week, but medium cows were taken at a slight advance. Lambs and mutton closed weak and unsold lots moved hard at the decline. Pork cleaned up unevenly, some houses early and some preferring to hold over rather than take the lower prices. Veal cleaned up at a steady price.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1005

Destinations of live stock loaded Jan. 23, 1919—Continued.

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
Nashville, Tenn.....		6			2	8
Nebraska City, Nebr.....		21				21
New Haven, Conn.....		19				19
New Orleans, La.....	5			1	1	7
New York, N. Y.....	89	37	14			140
Ogden, Utah.....	6	2				8
Oklahoma City, Okla.....	22	23		1	1	47
Omaha, Nebr.....	180	173	31	1	7	392
Ottumwa, Iowa.....	6	20				26
Peoria, Ill.....		37				37
Philadelphia, Pa.....	2	16				18
Pittsburgh, Pa.....	4	10	1			15
Portland, Ore.....	3	1			1	5
Providence, R. I.....		4				4
Richmond, Va.....	2	1		2		5
St. Joseph, Mo.....	19	111	4		12	146
St. Paul, Minn.....	92	62	1		35	190
Salt Lake City, Utah.....	2		2			4
San Antonio, Tex.....	5			1		6
San Francisco, Cal.....	17		13			30
Seattle, Wash.....	4	5				9
Sioux City, Iowa.....	93	97	3		2	197
Sioux Falls, S. Dak.....	6	50				56
Spokane, Wash.....		7		1	1	9
Terre Haute, Ind.....	1	2				3
Toledo, Ohio.....					2	2
Topeka, Kans.....				1		1
Washington, D. C.....				2		2
Waterloo, Iowa.....		7				7
Wheeling, W. Va.....		12				12
Wichita, Kans.....	4	11		3	4	22
Winona, Minn.....		3				3
Worcester, Mass.....		16				16
Various.....	612	133	119	172	8	1,044
Totals.....	1,617	2,216	319	256	222	4,630
One week ago.....	1,943	2,733	364	257	194	5,491
Four weeks ago.....	959	1,877	376	98	228	2,338
One year ago.....	1,738	2,062	297	274	295	4,666

State origins of live stock loaded Jan. 23, 1919.

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
For Chicago:						
Illinois.....	65	224	48	1	14	352
Indiana.....	7	19	3		21	50
Iowa.....	81	64	13		1	159
Kentucky.....	4	2				6
Michigan.....	4	1			2	7
Minnesota.....	18	25				43
Montana.....	4		22		1	27
Nebraska.....	2					2
Pennsylvania.....	2					2
South Dakota.....		1				1
Wisconsin.....	10	25	8		2	45
Total.....	193	361	94	1	41	690
One week ago.....	145	388	43	3	12	491
Four weeks ago.....	184	443	80	4	27	738
One year ago.....	315	633	64	7	46	1,265
For Jersey City:						
Illinois.....			8			8
Kentucky.....		4				4
New Jersey.....	3					3
New York.....	3	4				7
Ohio.....	5	5				10
Pennsylvania.....		4			2	6
Totals.....	10	17	8		2	37
One week ago.....	20	16	4			53
Four weeks ago.....	9	21	6			36
One year ago.....	29	14		29		72

1004 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

moved slowly, averaging \$2 to \$3 lower than a week ago. Market declined with steers, but met a fairly good demand, buyers looking for cheap meat. Bulls were in very limited supply and held steady. Kosher chucks and plates were dull at gradually weakening prices.

Veal.—Veal broke sharply after Wednesday under accumulated supplies of both heavy calves and light veal. The latter, after opening at \$26, is closing around \$20, while heavy calves dropped from \$18 and \$19 to \$14 and \$16 at the close.

Pork.—The damp weather was more unfavorable to pork than to other meats, resulting in daily declines, until to-day, when a slight improvement was noticeable. Added to the liberal supply of loins and shoulders was more than twice the normal supply of dressed pigs which broke \$4 to \$5 per hundredweight for the week, selling to-day around \$18. Loins are \$3 lower than Monday at \$22 to \$25.

Lambs.—Heavy receipts and a poor demand for lambs Monday and Tuesday gradually forced prices \$3 to \$5 lower. Bulk of "Choice lambs to-day brought \$22 to \$23 with tops at \$24.

Mutton.—Mutton turned very dull in sympathy with lambs, although receipts were moderate. Best wethers closed around \$18, with fair to good ewes at \$14 to \$16 and common kinds at \$11 to \$13.

Market closing.—The market closed with prices on everything at the low point of the week, but the undertone of the market is better to-day. Fresh arrivals were held at firmer prices than have ruled since Wednesday, but sacrifices were made on the accumulation of stale meats. Pork was held steady to firm with mid-week prices.

CHARLES J. BRAND,
Chief of Bureau.

[United States Department of Agriculture, Bureau of Markets, Washington, D. C.]

Destinations of live stock loaded Jan. 23, 1919.

(Double decks counted as two cars.)

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
Albert Lea, Minn.....	6	9				15
Alton, Ill.....		2				2
Atlanta, Ga.....		2		10		12
Austin, Minn.....		12				12
Baltimore, Md.....		14				14
Birmingham, Ala.....		3		2		5
Brightwood Mass.....		17				17
Boston, Mass.....	5	141				146
Buffalo, N. Y.....	5	44			15	64
Cedar Rapids, Iowa.....	1	5		4		10
Chicago, Ill.....	193	361	94	1	41	689
Cincinnati, Ohio.....	12	28	1		7	48
Cleveland, Ohio.....	5	39	5		14	63
Columbia, S. C.....				1		1
Columbus, Ohio.....	1	4		1		6
Cudahy, Wis.....	9	4				13
Davenport, Iowa.....		1				1
Denver, Colo.....	13	22	4	2		41
Des Moines, Iowa.....	4	17		2		23
Detroit, Mich.....	3	54				57
East St. Louis, Ill.....	46	154	1	22	14	237
Eau Claire, Wis.....		2				2
Evansville, Ind.....	1	2			3	6
Fort Worth, Tex.....	33	14	2	8	2	59
Harrisburg, Pa.....		2		1	1	4
Indianapolis, Ind.....	12	86			16	114
Jacksonville, Fla.....	5	3				8
Jersey City, N. J.....	10	17	8		2	37
Kansas City, Mo.....	72	206	6	11	19	314
Kearney, N. J.....	2	12				14
Lafayette, Ind.....	1					1
Lancaster, Pa.....	6			1		7
Los Angeles, Cal.....	4	1	10			15
Louisville, Ky.....	9	3		2	2	16
Mason City, Iowa.....	3	16				19
Milwaukee, Wis.....	8	27			10	45
Mobile, Ala.....				3		3
Moultrie, Ga.....	3	6				9

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1005

Destinations of live stock loaded Jan. 23, 1919—Continued.

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
Nashville, Tenn.		6			2	8
Nebraska City, Nebr.		21				21
New Haven, Conn.		19				19
New Orleans, La.	5			1	1	7
New York, N. Y.	89	37	14			140
Orden, Utah	6	2				8
Oklahoma City, Okla.	22	23		1	1	47
Omaha, Nebr.	150	173	31	1	7	362
Ottumwa, Iowa.	5	20				25
Peoria, Ill.		37				37
Philadelphia, Pa.	2	16				18
Pittsburgh, Pa.	4	10	1			15
Portland, Oreg.	3	1			1	5
Providence, R. I.		4				4
Richmond, Va.	2	1		2		5
St. Joseph, Mo.	19	111	4		12	146
St. Paul, Minn.	92	82	1		35	190
Salt Lake City, Utah.	2		2			4
San Antonio, Tex.	5			1		6
San Francisco, Cal.	17		13			30
Seattle, Wash.	4	5				9
Sioux City, Iowa.	95	97	3		2	197
Sioux Falls, S. Dak.	6	50				56
Spokane, Wash.		7		1	1	9
Terre Haute, Ind.	1	2				3
Toledo, Ohio.		2			2	4
Topeka, Kans.				1		1
Washington, D. C.				2		2
Waterloo, Iowa.		7				7
Wheeling, W. Va.		12				12
Wichita, Kans.	4	11		3	4	22
Winona, Minn.		3				3
Worcester, Mass.		16				16
Various.	612	133	119	172	8	1,044
Totals.	1,617	2,216	319	256	222	4,630
One week ago.	1,943	2,733	364	217	194	5,491
Four weeks ago.	959	1,877	376	94	228	3,534
One year ago.	1,738	2,062	297	274	295	4,666

State origins of live stock loaded Jan. 23, 1919.

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
For Chicago:						
Illinois.	65	224	48	1	14	352
Indiana.	7	19	3		21	50
Iowa.	81	64	13		1	159
Kentucky.		2				2
Michigan.	4	1			2	7
Minnesota.	18	25				43
Montana.	4		22		1	27
Nebraska.	2					2
Pennsylvania.	2					2
South Dakota.		1				1
Wisconsin.	10	25	8		2	45
Total.	193	361	94	1	41	690
One week ago.	145	288	43	3	12	491
Four weeks ago.	194	463	90	4	27	768
One year ago.	515	633	68	7	46	1,269
For Jersey City:						
Illinois.			8			8
Kentucky.		4				4
New Jersey.	3					3
New York.	3	4				7
Ohio.	5	5				10
Pennsylvania.	4	4			2	10
Totals.	10	17	8		2	37
One week ago.	20	16	17			53
Four weeks ago.	9	21	6			36
One year ago.	29	14		29		72

1006 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

State origins of live stock loaded Jan. 23, 1919—Continued.

	Cattle and calves.	Hogs.	Sheep.	Horses and mules.	Mixed stock.	Total.
For Kansas City:						
Arkansas.....	1	1				2
Colorado.....	4					4
Iowa.....	28	35				63
Kansas.....	28	134	5		17	184
Missouri.....	10	27	1	5	2	45
Nebraska.....	6	8				14
New Mexico.....	5					5
Oklahoma.....	13					13
Texas.....	2					2
Totals.....	72	208	6	11	19	316
One week ago.....	107	254	50	7	22	440
Four weeks ago.....	82	98	6	1	5	192
One year ago.....	100	112	43	17	29	310
For New York:						
Illinois.....	68	13	4			85
Indiana.....		8	2			10
Iowa.....	1					1
Michigan.....	4					4
Minnesota.....	2					2
Missouri.....	2					2
Nebraska.....	4					4
New York.....	7	6	8			21
Ohio.....		8				8
Pennsylvania.....	1					1
Tennessee.....		2				2
Total.....	89	37	14			140
One week ago.....	77	50	16	1	2	146
Four weeks ago.....	56	46	8	1	2	113
One year ago.....	20	38		1		60
For Philadelphia:						
Kentucky.....		4				4
New Jersey.....	1					1
Ohio.....		4				4
Pennsylvania.....		8				8
Virginia.....	1					1
Total.....	2	16				18
One week ago.....	6	16		2	1	25
Four weeks ago.....	18	23		1		42
One year ago.....	11		2		1	14

CHARLES J. BRAND,
Chief of Bureau.

[United States Department of Agriculture, Bureau of Markets, Washington, D. C.]

Daily wholesale prices, western dressed beef, week ending Jan. 24, 1919.

	Jan. 20.	Jan. 21.	Jan. 22.	Jan. 23.	Jan. 24.
Washington:					
Steers—					
Good.....	\$26.00	\$26.00	\$25.00	\$25.00	\$25.00
Medium.....	22.00-24.00	22.00-24.00	20.00-23.00	20.00-23.00	20.00-23.00
Common.....	17.00-19.00	17.00-19.00	17.00-18.00	16.00-18.00	16.00-18.00
Cows—					
Good.....	10.00	19.00	18.00	18.00	18.00
Medium.....	15.00-17.00	15.00-17.00	15.00-17.00	15.00-18.00	15.00-18.00
Common.....	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00
Boston:					
Steers—					
Choice.....	26.00-27.00	25.00-26.00	25.00-26.00	24.00-26.00	24.00-26.00
Good.....	24.00-25.00	23.00-25.00	23.00-24.00	23.00-24.00	23.00-24.00
Medium.....	22.00-23.00	21.00-23.00	21.00-22.00	21.00-22.00	21.00-22.00
Common.....	20.00-22.00	19.00-21.00	20.00-21.00	18.00-21.00	18.00-21.00
Cows—					
Good.....	18.00-20.00	18.00-19.00	18.00	17.50-18.00	17.50-18.00
Medium.....	15.50-16.50	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00
Common.....	14.50-15.50	14.50-15.00	14.50-15.00	14.50-15.00	14.50-15.00
Bulls—					
Good.....		14.50-15.00	14.50-15.00	14.50-15.00	14.50-15.00
Medium.....	14.00-14.50	14.00-14.50	14.00-14.50	14.00-14.50	14.00-14.50
Common.....	13.00-14.00	13.00-14.00	13.00-14.00	12.00-14.00	12.00-14.00

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1007

Daily wholesale prices, western dressed beef, week ending Jan. 24, 1919—
Continued.

	Jan. 20.	Jan. 21.	Jan. 22.	Jan. 23.	Jan. 24.
New York:					
Steers—					
Good.....	\$23.00-25.00	\$23.00-24.50	\$23.00-24.00	\$22.00-24.00	\$22.00-23.50
Medium.....	21.00-23.00	21.00-23.00	20.00-23.00	19.00-22.00	19.00-22.00
Common.....	17.00-20.00	17.00-20.00	17.00-20.00	16.00-19.00	15.00-19.00
Cows—					
Good.....	18.00-20.00	18.00-20.00	18.00-19.00	17.00-19.00	16.00-18.00
Medium.....	17.00-18.00	17.00-18.00	17.00-18.00	16.00-17.00	15.00-16.00
Common.....	16.00-17.00	16.00-17.00	15.00-17.00	14.00-16.00	13.00-15.00
Bulls—					
Good.....	18.00-17.00	18.00-17.00	18.00-17.00	15.00-16.00	14.00-16.00
Medium.....	14.00-15.00	14.00-15.00	13.00-15.00	13.00-14.00	12.00-14.00
Philadelphia:					
Steers—					
Choice.....	28.00	27.00-28.00	27.00	26.00-27.00	26.00-27.00
Good.....	24.00-27.00	24.00-27.00	23.00-26.00	23.00-25.00	23.00-25.00
Medium.....	21.00-23.00	20.00-22.00	20.00-22.00	20.00-22.00	20.00-22.00
Common.....	18.00-21.00	17.00-20.00	17.00-19.00	17.00-19.00	17.00-19.00
Cows—					
Good.....	21.00-22.00	19.00-21.00	18.00-20.00	18.00-20.00	18.00-19.00
Medium.....	19.00-21.00	17.00-19.00	16.00-17.00	16.00-17.00	15.00-17.00
Common.....	16.00-18.00	15.00-16.00	13.00-15.00	13.00-15.00	12.00-14.00
Bulls—					
Good.....	16.00-17.00	16.00	16.00		
Medium.....	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00
Common.....	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00	13.00-14.00

Daily wholesale prices, western dressed fresh lambs and mutton, week ending Jan. 24, 1919.

	Jan. 20.	Jan. 21.	Jan. 22.	Jan. 23.	Jan. 24.
Washington:					
Lambs—					
Choice.....	\$28.00	\$26.00	\$25.00	\$25.00	\$25.00
Good.....	\$25.00-27.00	\$24.00-26.00	\$22.00-25.00	\$22.00-25.00	\$22.00-25.00
Medium.....	23.00-25.00	22.00-24.00	20.00-22.00	18.00-20.00	18.00-20.00
Common.....	20.00	18.00-20.00	17.00-20.00	15.00-18.00	15.00-18.00
Boston:					
Lambs—					
Choice.....	25.00	24.00-25.00	24.50-25.00	24.00-25.00	24.00-24.50
Good.....	24.00-25.00	23.00-24.00	24.00-24.50	23.00-24.00	23.00-24.00
Medium.....	23.00-24.00	22.00-23.00	23.00-24.00	22.00-23.00	21.00-23.00
Yearlings—					
Good.....		20.00-21.00			
Medium.....	16.00-17.00	16.00-17.00			
Common.....	13.00-15.00	12.00-14.00			
Mutton—					
Good.....	18.00-19.00	17.00-19.00	17.00-18.00	17.00-18.00	17.00-18.00
Medium.....	16.00-17.00	16.00-17.00	15.00-17.00	15.00-16.00	15.00-16.00
Common.....	14.00-16.00	14.00-15.00	14.00-16.00	14.00-15.00	12.00-14.00
New York:					
Lambs—					
Choice.....	24.00-26.00	24.00-25.00	24.00-25.00	23.00-26.00	22.00-24.00
Good.....	23.00-24.00	23.00-24.00	23.00-24.00	22.00-23.00	21.00-22.00
Medium.....	22.00-23.00	22.00-23.00	22.00-23.00	21.00-22.00	20.00-21.00
Common.....	19.00-22.00	19.00-22.00	19.00-21.00	18.00-21.00	17.00-20.00
Yearlings—					
Good.....	20.00-21.00	20.00-21.00	20.00-21.00	19.00-20.00	18.00-19.00
Medium.....	19.00-20.00	18.00-20.00	18.00-20.00	17.00-19.00	16.00-18.00
Mutton—					
Good.....	18.00-19.00	18.00-19.00	17.00-18.00	16.00-17.00	15.00-17.00
Medium.....	17.00-18.00	17.00-18.00	16.00-17.00	15.00-16.00	14.00-15.00
Common.....	15.00-16.00	15.00-16.00	15.00-16.00	13.00-15.00	13.00-14.00
Philadelphia:					
Lambs—					
Choice.....	26.00	26.00-27.00	25.00	24.00-25.00	22.00-24.00
Good.....	25.00-27.00	25.00-26.00	24.00-25.00	23.00-24.00	21.00-22.00
Medium.....	25.00-26.00	24.00-25.00	23.00-24.00	22.00-23.00	20.00-21.00
Common.....	22.00-24.00	22.00-23.00	20.00-22.00	18.00-21.00	17.00-18.00
Mutton—					
Good.....	21.00-22.00	20.00-21.00	18.00-20.00	17.00-19.00	16.00-18.00
Medium.....	18.00-20.00	17.00-19.00	15.00-16.00	15.00-16.00	14.00-15.00
Common.....	15.00-17.00	14.00-15.00	13.00-14.00	12.00-14.00	11.00-12.00

All lamb and mutton prices "pluck out."

Thus one branch of the Government says that an agreement on the purchase regulates the amount of fresh meats shipped to the eastern markets and another branch of the Government says that these markets are frequently "glutted" and "demoralized."

I would call your particular attention to the fact that while the Federal Trade Commission takes the position that there is an agreement for the division of the buy of the live animal and this "automatically" regulates the sale of fresh meats, still the Department of Agriculture, in a printed report, tells you that the market was "flooded" and "demoralized." This is not an exceptional case. If the committee thinks it is, it can easily ascertain that such is not the fact by calling some of the Bureau of Markets men, who have charge of this work, and I am sure they will tell you that these eastern markets are frequently glutted and that the effect of the glutting of the market is to depress prices.

In fact, what I would suggest as much better, if it can be brought about, would be for this honorable committee to spend a day or two in New York City, visiting the various branch houses in that city, and you will then get the information first hand, and I venture the assertion, that if you will do this you will come away thoroughly convinced that this perishable product is sold on the market, under the law of supply and demand, and is sold in actual and active competition.

The Federal Trade Commission says that the managers of these branch houses exchange margins. I deny that statement. Our branch house managers have explicit instructions not to exchange information as to margins, not that it would be illegal or even improper to do so, but that course of conduct has been criticised in the past and we want to be above criticism in that respect.

On that point, I want to give this committee another bit of information, and that is, that in the past the packers were criticised for having too high a figured, or test, cost, the theory of certain branches of the Government being that this was used as a means to keep up the price of fresh meat by requiring the managers to try and make a profit on an exaggerated figured cost. Accordingly, in order to meet that criticism, almost a year ago, Morris & Co., changed the basis of its figured cost so as to count in all of the by-products at the actual market value at the time of slaughter. This does not give the actual cost, because the actual cost could not possibly be ascertained, as these by-products are sold in the future and the market in the meantime may either go up or down, but we wanted to make the figured cost as near actual as it is humanly possible to do, and so that we would be absolutely above suspicion on that account.

To show you that it is perfectly silly to say that a fixed percentage of buy of the live stock will in itself, "automatically" regulate the sale of fresh meats, I would call your attention to the varying prices obtained in our different branch house markets in the same city, as we have taken these figures to cover the period from the time that our cost was put upon the supposed actual basis to December 31, 1918. Our books will show in the three Brooklyn markets for that period of time the following: The Dahlman market will show a loss of \$1.12 per 100 pounds; the Morris & Co., Brooklyn market will show a loss of 87 cents, and the Brooklyn beef market will show a loss of 89

cents, and yet these three markets are all on the same street in the same city.

When we look at the figures in New York City we find that the Gansevoort market shows a loss of 61 cents, the Manhattan market a loss of \$1.36, and the other five markets show a loss ranging from \$1.14 to \$1.42.

The daily and weekly fluctuations will show a greater difference.

How can this possibly be explained if there is an agreement on percentages of "buy" and this agreement automatically regulates and controls the price for which the meat is sold? I say to you, in all seriousness, that this is perfectly preposterous and any practical packing-house man will tell you the same thing. It can not be done. No two animals dress out the same. No two cuts of meat are the same. These butchers who buy this meat know the meat, its quality and its conditions just as well as the branch-house managers know it. This is a perishable product. The amount on hand, the weather and many other conditions enter into and make up and control the market, and I venture the assertion that this committee will be thoroughly satisfied on that score if it can only obtain close personal touch and observation with the business itself and see how it is conducted.

If this committee can personally inspect the conduct of this business in a large city like New York or Boston, it will be readily convinced that the branch house is absolutely essential to the packer in the distribution and sale of his meats and also that it is to the interest of the producer that these meats be handled promptly, so that the packing houses will be run to their full capacity and the packer be in a position to purchase all of the live meat animals that are shipped to the market. To take the branch houses from the packer will simply demoralize and destroy this industry. And when you see the function that the branch house performs in this industry, I say to you, seriously, that you will be convinced that there must be some reason back of this bill other than to regulate and correct any possible wrongs in the conduct of the branch houses themselves.

SCOPE AND CONSTRUCTION OF THE BILL.

It is not sufficient to merely describe the different instrumentalities covered by this remarkable bill, or to show that no "live stock pool" exists. It is also necessary to consider the scope of the bill itself, for this is not a war measure, but is intended as a permanent law in times of peace.

It would be idle to speak of what is, or is not, intended by the proponents of the bill to be done under the bill. The only question of importance is, what can be done under its provisions, for, ordinarily the maximum power will be exercised, for power feeds upon power.

As a peace measure, this bill is radically revolutionary as compared with anything on the statute books at the present time. This bill, if enacted into law, would authorize a President to do anything he pleased with the packing industry and all of its instrumentalities. There can be no possible doubt but that he would have full power to destroy absolutely this great and efficient industry. Of course, it goes without saying that a President of the United States would want to do the right thing, but the trouble is it could not be expected that he

could give his personal attention to details such as the operation of branch houses. Consequently, he would have to depend upon his agents, or persons appointed to look after this business, for advice. If such an agent should happen to have socialistic tendencies, or not possess business ability, or not be familiar with the details of this business, disaster would result from his theories or incompetence and this fine system of distribution would go to rack and ruin. So when the bill speaks of the President having certain powers, it must certainly be borne in mind that this power will be exercised by certain political appointees.

Under the bill, the President is authorized to acquire, by purchase, lease, or condemnation, "through such agency or agencies as he may designate," all of the packers' instrumentalities, of every kind and description, outside of the packing houses themselves, including stock yards having receipts of over 500,000 head during the year 1917. and also the terminal belt railroads, exchange buildings, rendering plants, serum plants, market news services, "as he may deem necessary or appropriate" (and he is the sole judge as to what is either "necessary" or "appropriate").

Then he is given the power to acquire, construct, or establish, again "through such agency or agencies as he may designate" such additional facilities "as he may deem necessary or appropriate" (again he is the sole judge as to what is either "necessary" or "appropriate").

Then he is authorized to acquire real estate "through such agency or agencies as he may designate" for the development of such stock yards or other facilities, or "for the location thereon of packing houses, rendering plants, serum plants and other establishments or facilities for the preparation and manufacture of meats and other products derived in whole, or in part from live stock, or to lease or license the use of such real estate * * * upon such terms and conditions as he may deem necessary or proper" (there being no restriction or limitation whatever on his power as to the terms or conditions of such lease).

Then he is given the power to operate for the United States, "through such agency or agencies as he may designate," the stock yards, refrigerator and stock cars, storage and marketing facilities, upon payment of such charges and upon compliance with such conditions and regulations as may from time to time be prescribed by him, or such "agency or agencies as he may designate for that purpose."

Then he is given full power to fix the fees, terms, and conditions of any lease or license of said properties, at the same time declaring that refrigerator and live-stock cars must be operated by the United States.

Then the bill provides that all persons, firms, or corporations engaged in the business of stock yards, or engaged in the purchase, manufacture, storage, or sale, in interstate, of live stock or products derived therefrom, shall operate "exclusively" under the license of the president "through such agency or agencies as he may designate and upon such terms as he may prescribe, and under such regulations as may from time to time be prescribed by him, or with his approval. by such agency or agencies as he may designate."

The bill then provides that the President may form a corporation for the holding or operating of the properties covered in the bill.

Then the bill provides for an appropriation of 500,000,000 dollars, with which to purchase any of these facilities, properties, or real estate.

It is necessary only to very casually consider this bill to ascertain that a President could put the present owners out of business in several different ways. In the first place, he could license the present properties on any terms that he might see fit, making the business unprofitable to the present owners, and turning the license fees into the Treasury as part of this revolving fund with which to buy real estate for a competing packing plant, and, when purchased, this real estate could be leased to a competitor on any terms a President might see fit.

In other words, the "bridle is off" and a President, with complete ease, under this bill, could destroy these properties, and without intention on his part in that direction. That could be accomplished by intention of "such agency or agencies" as he might appoint under this bill, or by mere inefficiency on the part of such "agency."

He could refuse license to the five big packers, or any of them, for the cold-storage plants or branch-house markets. Then he could use any number of the cold-storage plants or branch houses now owned by the packers, and refuse to operate the others. These branch houses are built especially for this business and would be rendered practically useless if a license should be refused, or the license could be upon such onerous terms that the present owners could not afford to operate.

I say that no more vicious bill could be drawn by the shrewdest of attorneys paid for the express purpose of putting the present packing companies out of business. This is not legislation. It is only a little more polite way of doing what they are now doing in Russia in another way. The present packers could be made to advance the money by way of license fees to "such agency or agencies" with which to build competing plants on land bought with packers' money.

QUERY.

When this whole situation is looked squarely in the face we are inevitably led to the question: What does this procedure mean? The President's letter asked the Federal Trade Commission to investigate the whole food situation, including production, manufacturing, marketing, and distribution, but after two years of sensational and expensive investigation we find only the five big packers have been investigated (the investigation of the small packer being merely to discover, if possible, but without avail, some illegal or unfair practice by the big packers in their relations and dealings with the smaller packers), and this investigation of the big packers was with the apparent sole purpose of finding something criminal. The report deals with old, dead history, but has absolutely no tangible evidence of anything illegal. The one fact that the commission, with all of the resources of the Government at its command, could not find a single employee of these packers, and there are thousands upon thousands of them, who could throw any light upon either the existence or the

workings of a "live stock pool" simply demonstrated that no such pool exists. Then the report, although made by a branch of the Government, supposed to guide and assist business, is made up of the most violent and extravagant language, using adjectives, but not citing facts and figures, and drawing the most unfair deductions and conclusions. Neither the investigation nor the report were constructive; in fact, could not have been, as they touch upon only one part of the great scheme of production, manufacture, and distribution of food products.

Even this report shows that the profit of the packer is reasonable, something like 4 per cent on the turnover, according to the commission, and that, after all, tells the whole tale. That includes all of the five big packers. I say to you that the Morris profits on the turnover have been less than 2 per cent.

Whether this bill represents merely an organized effort to "get" the packers, the undisputed fact remains that this bill, if enacted into law, will place this great industry at the complete mercy of all future administrations. Just contemplate for one moment the ability this law would give to any administration to entrench itself in power. Just contemplate the power during an election. And yet we are now building for the future. Possibly this is the form of law that is to give us the "golden age" which we all hope we are approaching with our new era of thought and action, but if this is good law for the packers, then it must be good law for everybody else, which means that the Government is to control, if not own and operate, all manufacturing and the markets where all goods are distributed and sold. Where would you draw the line? It is an easy matter to start a fire, but much harder to put it out.

As this whole food problem is so intimately interwoven with the welfare and destiny of our people, it is exceedingly unfortunate that this investigation was not fair, and above all things else complete: that it did not take in every phase and step of meat food production and distribution, so that you gentlemen in the legislative branch of the Government would have something solid on which to build for all time.

There is a much greater problem involved than merely to "get" the packers. The packers are efficient and their profits are low, so that if the people are to get their meat at lower prices relief must come from some other quarter. On the other hand, if live stock is too low, as some would have you believe, then the live-stock people should want to demonstrate that to the consumer, because high raw material necessarily means high-finished product. When it is demonstrated that the packer makes but the fraction of one cent per pound profit, the people are not going to be fooled always with this false cry against the packer. In fact, what the great mass of people want is either to know that there is no fault in an economic way with the present costs and prices, or if there be a fault to have it located and remedied. They want the whole story and then something constructive—not destructive. The packers stand ready to gladly remedy any wrong or error in their business that may be pointed out.

If American citizens, by strict personal attention to business, after building up an industry and getting it on an efficient basis, making less profit than any other big industry in this country, and after

performing a great service to the country and the general cause of liberty and freedom, must turn over that business to others, then what incentive is there for any young man of this country to go into business. For instance, if stockyards, after being developed to the point of 500,000 head per year, are to be turned over to the Government, then what incentive is there for anybody to go out and build up additional stockyards near production? It would be well for the stock man to ponder on these things and realize what is in fact involved in this bill.

Again, if this bill, and the action of the Federal Trade Commission in this investigation, represents the guidance and assistance which business is to get from our Government, then how can you expect business to go out and get the markets of the world for American labor? Yet in the countries of our allies we see the Government standing right back of business, bringing up efficiency and cutting down costs so that they can go out and capture the markets of the world. Everybody in this country must realize that the country can not continue to be a market for itself, that only big business men can go out and get the markets of the world, and this big business must be upheld and sustained if it is to do this and at the same time maintain the present standard of wages. Why build the merchant marine, if business is to be stricken down as this bill would contemplate? But it means something when any branch of our Government stands sponsor for a bill of this sort. But what does this mean? Does it merely mean State Socialism? Or does it represent the desire of the commission to protect the future against monopoly, even if it helps the wholesale grocer and hurts the consumer, because of fear aroused by the "tendency" to put the wholesale grocer out of business? Or is it simply politics, it being popular in the past to hunt the packers?

In any event, I submit that the situation presents a question for very serious thought on the part of anyone who has the interest and the future of his country at heart. Without speculating as to just what influences are back of this bill, it is sufficient to say that it is neither constructive, nor corrective, and is absolutely vicious, and there is enough in the situation at least to defeat it in principle and without regard to the parties directly affected thereby.

MARKET COMMITTEE OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION.

Mr. Walter L. Fisher, the paid advocate for the market committee of the American National Live Stock Association, told you that this market committee was responsible for the investigation made by the Federal Trade Commission, that the American National Live Stock Association stood squarely back of this bill, and until the contrary is shown I shall accept this statement as properly fixing responsibility in this regard. There is food for thought in that statement for the consumer, because this organization says it wants higher prices for the live meat animal, and this necessarily means high prices for the finished product.

A resolution of this market committee was introduced, approving the report and recommendations of the Federal Trade Commission, and which was signed by seven gentlemen. I now charge that every

man who signed this resolution is very wealthy and that they made their wealth out of the sale of live meat animals.

Mr. Fisher stated that he was consulted as an attorney by these people several years ago. He also told this committee that he refused to have anything to do with the matter unless, and until, a "fund" was collected. It was not explained why he wanted this "fund," the amount of it, or what has been done with it. But my information is—and I wish to be corrected if mistaken—that this is a "fund" of approximately \$150,000 collected annually by the association. It will not be contended that the gentleman who recommended the "fund" is not perfectly capable of knowing exactly when, where, and how to use such a "fund," and he must have had in mind some use for the fund, because it was his recommendation.

I do not charge, or even intimate, that this fund was used for any improper purpose, but its size would make it rather dangerous if it should happen to get into any improper channel. I have known for some time that some financial lifeblood has been responsible for the propaganda which has been sweeping the country against the packing interests. The origin thereof has always been a mystery to me. Whether this \$150,000 fund has been the inspirational source of the antipacker crusade I do not know.

Possibly, if this committee should order an investigation or if the Federal Trade Commission should feel it its duty to make such an investigation the results might be interesting.

If the result of this investigation should be as I imagine, it is not improbable that hundreds of small stock raisers might feel that their annual contributions to their association have been diverted from the purpose for which they were led to believe they would be used, a purpose directly antagonistic to their own best interests. In my judgment, the majority of the stock growers of America are conservative citizens not in favor of radical destruction legislation.

I have no objection to the American National Live Stock Association having a market committee, even if the work of that committee is to market the live stock of its members to the best advantage, going to the extent of keeping in touch with the different live-stock markets, preventing unusual runs and doing all that can be done to legitimately protect the interests of the members of the association.

I also want it clearly understood that I make no charge against or fight with the individual producers of the country. I have the highest respect and sympathy for the great mass of live-stock men. I want to cooperate with them and I do not believe that they know what is going on or what the effect of this bill will be if enacted into law. In my judgment they have no real information as to what use is being made of the yearly contribution of \$150,000.

Suppose, however, the Federal Trade Commission had found that the packers had raised a fund of \$150,000, or even a fund of one-twentieth of that amount, for the purpose of raising the price of the articles they sell? Would the fact that it was raised voluntarily rob it of any odium?

Would not a wave of denunciation, in and out of Congress, have swept the country?

Would we not have been denounced for attempting to "further gouge the public"?

Would not the fact that at this time the feeding of the world is one of the world's great problems, that millions of people in Europe are facing hunger, have been thrown in our faces?

Would we not have been denounced as profiteers of the vilest kind, preying on the necessities and sufferings of humanity?

I have heard no criticism of this market committee fund of \$150,000 annually, possibly because the public is not aware of it.

I trust that when the consumer learns that this attack on the packers is the acknowledged work of seven wealthy men who desire higher prices for their product they will finally reach the just conclusion that the packer is not guilty of the sins charged to him.

It is high time the people should know the source of this anti-packer propaganda, that its mainspring is not the good of the public but the selfish interest of a small quota of men who are using their power as heads of an organization to profit therefrom.

I have no grievance against these subtle seven because of their great wealth, but I have a perfect right to cite these facts as refuting the charge that the packers are unlawfully controlling the prices paid for the live animal.

Points of contact sometimes are extremely illuminating. Mr. William Kent, the millionaire partner of Mr. Burke (one of the moving spirits in the market committee), called on President Wilson, secured a letter from him to the Federal Trade Commission directing that commission to investigate the food problem, took the letter to the commission, and the correspondence was read into the record.

When the investigation started, Mr. Heney, of California, a friend and neighbor of Mr. Kent, appeared on the job, and no fair minded man who has read the record will contend for a moment that Mr. Heney was "put to work" or has labored for any constructive purpose.

I wonder if the average stock grower realizes the fact that this market committee is not representative of the United States, as a whole, or of the entire stock raising industry. Its dominant members are all from west of the Mississippi, and the hog growers have absolutely no representation on this powerful little coterie, although during the war they did more than any other branch of the industry to increase production.

I can not speak for others, but so far as I am concerned, I am thoroughly tired of this cry of "stop thief," on the part of this market committee. I do not believe it represents the real sentiment of the great mass of producers in this country. But in the final analysis I can not see how the consumer can be satisfied with a bitterly partisan investigation of the packers at the instance of these cattlemen, who, admittedly, want higher prices for their live stock, which could only result in higher prices to the consumer. Is only the producer to be considered, or is the interest of the consumer also to be consulted?

But the testimony of Mr. Burke before this committee is very interesting and enlightening in many respects. He gives us some valuable facts. For instance, he was asked as to his prices and profits, the following question by Mr. Hamilton:

How do the prices of your stock sold on the market range during the last year—higher than heretofore?

MR. BURKE. Oh, yes; tremendously so. The general plane of prices is higher.

1016 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Mr. HAMILTON. Have you made more money out of your cattle than you ever made before the last year?

Mr. BURKE. During 1917 and 1918 the business has been more profitable than it ever was before, very much more so.

Now, seriously, isn't the consumer entitled to know what those profits were, or has the consumer no place in this matter? Has this been staged exclusively for this market committee? From the lips of Mr. Burke, even though the consumer pays for it, we find that the prices for live stock have been "tremendously" higher during the last two years and "the business (of the live-stock men) has been more profitable than it ever was before."

Still they are not satisfied. This little bit of evidence is helpful as a starter, even if the Federal Trade Commission would not investigate this branch of the food problem.

But will Mr. Burke, and the other members of this market committee, throw their books open to inspection, that the extent of their poverty, caused by these wilful packers, can be ascertained? Mr. Burke, will you be really honest with this committee and disclose your total profits and the profit per head? I am informed you "ducked" the proposition of showing your books once before. Will you do it again? The packers' books and records have all been inspected. How about the producers? Let us have the other side of this controversy.

Then, Mr. Burke was asked whether the law of supply and demand entered into that (his increased profits) and his answer was "Oh, surely, tremendously. The general plane of prices, of course, is controlled by the law of supply and demand. The packers are working within that law over short periods. The packers' control is working over the short periods." (See page 491.)

Mr. Burke certainly forgot his lesson at that point. If a packer should testify that the law of supply and demand regulates the prices paid for the live animal, somebody would want to indict him for perjury. Yet, Mr. Burke told the plain, unvarnished truth. Now, by Mr. Burke, there have been established two very important points, first, that the producers during the last two years have made the largest profits in the history of the business, and, second, that the packers, in their purchases, are governed by the law of supply and demand. Would it not be at least illuminating to know what the profits of the producers were? Unfortunately for the consumer, when it comes to investigations, there is one law for the producer and another law for the packer.

Mr. Burke put his stamp of approval upon another very old and well recognized proposition, to the effect that higher live stock meant higher meat cost to the consumer.

And the American people should now know all the exact facts. There should be no mistake made as to the issue involved in this bill. It is clean-cut and unmistakable. It is whether this little group of selfish men can dictate and extort fabulous prices for the live animal, and at the same time make the packer and the consumer like it.

This last year Morris & Co. paid \$259,398,767 for live animals and received but \$173,731,902 for the meats and meat food products, and \$625,524 were paid for diseased animals that were condemned. It can only be estimated but it is a fact that millions of dollars were paid by all of the packers for "fill," that is, water given to the animal

just before being weighed to the packer. The producer is paid for diseased animals the same as for sound animals, and the producer is paid for this water, or "fill," the same as if it were meat. And yet they would have you believe that this market committee is not in politics at Washington. Results are what count. Every law of this character is in the interest of the producer, and in many instances the interest of the consumer is ignored. Where does the public come in on this proposition? Who, in the end, pays for this "fill" and these diseased animals? We have wanted in good faith to co-operate with the producer, as we should, but in return we have been drawn and quartered every day for the last two years by this Federal Trade Commission and now this market committee boasts of its responsibility for such things.

Then Mr. Fisher tells this committee that a former member of the market committee is now a respected member of the United States Senate. I have nothing but words of the highest praise for both the integrity and patriotism of Senator Kendrick, but the fact remains that we must now appear before his committee and argue the merits of his bill, which would make it possible to take a license from the packer if he did not pay what the party charged with the enforcement of this bill thought was a proper price for live stock, and be sent to prison for good measure.

And they say that the packer is interested in politics. I reply that the first thing to do is to get this market committee out of politics, where it has no place, dissipate this mysterious "fund," and let the committee confine its activities in the future to the field of business, where it legitimately belongs.

The effect of what has been done by the parties handling the campaign against the packers has been to drag in personalities in the hope of beclouding the issue and fooling the people. The people have now listened to this sort of thing for more than two years, and I insist that they should now become familiar with the great basic facts in this great food problem before this great industry is entirely destroyed. Possibly these propagandists have succeeded in creating a feeling that there should be some legislation against the packers, but I say let us now have a show-down all around, which we have never had, and which I do not fear. So far as I am concerned, we "are ready for the test."

Listen to some more illuminating testimony from the lips of Mr. Burke:

MR. HAMILTON. The higher price you can get, of course, the more the meat costs the consumer?

MR. BURKE. Naturally. (See p. 495.)

And yet if the consumer is interested he will note that Mr. Burke and his committee are responsible for this investigation by the Federal Trade Commission, and all they want is higher prices for their live stock.

But Mr. Burke's views on profits are very interesting.

MR. WINSLOW. What would you feel was a fair net return or percentage on your investment?

MR. BURKE. Under some kind of guaranty—oh, I should say eight per cent would be all right. (See p. 498.)

You see Mr. Burke wants a "guaranty" and 8 per cent. The packers were never given a guaranty of any sort and Morris & Co. never have averaged that amount of profit.

Mr. Doremus called Mr. Burke's attention to the fact that bacon in Washington during the last year sold from 60 to 70 cents per pound. To this Mr. Burke replied as follows:

I am free to say, I think that is too much margin between the price the producer gets and the price the consumer has to pay, and there is a lot of slack in there which can and should be taken out. But the retailer comes in there; his problem is a very important one to be considered as well as the packer. It is a matter that should be very carefully investigated, and means taken to eliminate a lot of that slack. (See p. 515.)

Mr. Burke and his committee claim credit (if it be credit) for the investigation of the Federal Trade Commission. He said before this committee, "but we finally got the investigation ordered by the President in February or April, I forgot which, of 1917." Why did he not have the retailer investigated if his committee has such great power in Washington? Why did he not have a big, broad, constructive investigation? Possibly it was because of their greater desire to get the packers than to get the truth.

In the final analysis, I can not see how the public can be satisfied with a bitterly partisan investigation of the packers at the instance of these cattle men who, admittedly, want higher prices for their live stock, the only effect of which would be higher prices to the consumer. Is the producer only to be considered, or is the interest of the consumer also to be consulted?

BANK HOLDINGS.

Another thing: The Federal Trade Commission would create a feeling against the packers, because of their bank holdings. I say that it can be clearly shown that the live-stock men of this country have infinitely more bank stock than the packers. And these producers would have something to say about cattle loans, when certain members of this market committee themselves deal very extensively in this paper, charging just as high a rate of interest to their fellow producers as any bank in the country.

THE KENDRICK BILL.

The Kendrick bill, pending in the Senate, to which I am unalterably opposed, provides for licensing the packers, an obvious subterfuge for ultimate Government ownership. This bill not only gives power to the authority charged with its enforcement to limit profits, but goes to the extent of requiring the packer to buy the live animal whether he needs it or not or could handle it in his packing house at the time. The bill, however, fails to provide any means of requiring the cattle man to sell his wares in case of shortage of meat animals on the market.

Another obnoxious feature of the bill is the section providing that an individual, without conspiring or combining with any one else, can be guilty of violating the act in the purchase of the live animal or the sale of fresh meat; that is, if the party charged with the enforcement of the act should think that not enough was paid for

the live animal or too much was obtained for fresh meats, the license under which he operated could be taken away and he in addition could be sent to prison.

REPORT OF THE FEDERAL TRADE COMMISSION.

With your kind permission, I would like to say something with reference to the report of the Federal Trade Commission on the meat-packing industry, because, as I am informed, this bill is based upon that report and was prepared under the direction of the commission.

I would first call your attention to the fact that the letter of President Wilson directed the commission to investigate the "production, ownership, manufacture, storage, and distribution of foodstuffs and the products and by-products arising therefrom." Yet this commission has devoted practically two years to an ex parte investigation of the five big packers alone. The letter from the President covered food products generally. But the Federal Trade Commission saw fit to limit its investigation to only one branch of meat foods, and in its investigation of meat foods the commission made no investigation whatever into either the production or the distribution, excepting in so far as it directly affected the five big packers. If there was to be an investigation at all, and especially if it was to be the basis of constructive legislation, it should have been a fair and complete investigation of the entire subject, so that Congress would know whether the proper economies are being practiced in the production of the meat food animal, and also in the distribution and sale of the finished product. In other words, the commission should have followed the calf from the farm to the table of the consumer.

Please understand that I am not lodging any complaint against, or criticism of, either the producer or the retailer; but I am making the simple indisputable statement of fact that the investigation did not include either, and it necessarily should have included both, if some big, constructive, permanent legislation was to be brought out of, and built upon, the investigation. It is for the commission to say why its investigation did not cover both the producer and the retailer.

The extravagant language of the report itself shows that the investigation was not only ex parte, but was bitterly partisan and unfair, and was made for the purpose of "getting" the five big packers.

In its report to the President, on July 3, 1918, the commission says that the five big packers "employ practically every tried method of unfair competition known to this Commission and invent certain and ruthless methods to crush weaker concerns." Yet this branch of our Government, in thus speaking of a great industry that had just rendered this country and its Allies a great service, did not point out a single "weaker concern" that was "crushed" and did not cite any "new and ruthless methods." The chief characteristic of the report itself is, that it contains a great many high sounding adjectives, positive statements, unsupported by facts and figures, and unjust deductions and conclusions. As to the great controlling question, that of profits, the commission, in its report, stated that these five packers did "extort excessive profits from the people," and the commission tried desperately to make this appear from the figures, and yet when they are properly analyzed, it is

shown even by the figures of the commission, that these packers make a smaller margin of profit than any other big industry in this country.

The gist of the report is, that there exists between the five big packers, a "live stock pool," which the commission charges is an agreement between them to buy the live stock according to a fixed and definite percentage. This is the basis of the whole report. This is the foundation on which all of the conclusions of the commission in its report are based. This is made very clear on pages 12, 24, 25, 28 and 77 of part 2 of the report. The report is also to the effect that this agreement is "automatic," regulating not only the purchase of live stock, but the sale of the finished product. The report in one place says that this agreement originated in, and grew out of, the old Veeder pools, and in another place it is stated that the origin of this pool was near the beginning of the National Packing Co., which was in 1903. In either event, the report of the commission is to the effect that this automatic arrangement was in existence in the year 1903.

As an entire report, and all of its conclusions are based entirely upon this "live stock pool," it therefore necessarily follows that if this pool theory is knocked out, then the entire report of the commission and all of its charges fall hopelessly to the ground.

I have six distinct and separate answers to this charge, which completely and effectually dispose of the so-called "live stock pool."

My first answer is, most positively and unqualifiedly, that no such pool exists, and I would necessarily know it if it did exist, and the Federal Trade Commission has no living witness to the contrary.

My second answer is, that if there were any such "live stock pool," it would necessarily be reflected in the price paid for the live stock, because it concerns live stock, and because the Federal Trade Commission reports that these five big packers are "ruthless" and greedy. Where men are ruthless and greedy they do not form an illegal combination to hurt themselves. The object of all such illegal agreements is to get some undue benefit and advantage, and there could be no advantage in this case unless it would be in the price itself, that is, by depressing the price to be paid for the live stock.

Now let us see what the indisputable facts are. The average price paid by the packers during the year 1914 for native steers was \$9.90 per one hundred pounds; in the year 1915 it was \$9.57; in the year 1916 it was \$10.42; in the year 1917 it was \$14.17; and in the year 1918 it was \$16.25, the top price in 1914 being \$11.55, and the top price in 1918 being \$20.50.

The average price for light steers in 1914 was \$9.25 per 100 pounds; in the year 1915 it was \$9.42; in the year 1916 it was \$9.30; in the year 1917 it was \$12.60; and in the year 1918 it was \$14.62, the top price in 1914 being \$13 and the top price in 1918 being \$20.25.

The average price for hogs in 1914 was \$8.27 per 100 pounds; in the year 1915 it was \$7.37; in the year 1916 it was \$9.05; in the year 1917 it was \$14.87; and in the year 1918 it was \$17.47; the top price in 1914 being \$10.15, and the top price in 1918 being \$20.95.

The average price paid for native sheep in 1914 was \$4.75 per 100 pounds; in the year 1915 it was \$5.50; in the year 1916 it was \$6.62; in the year 1917 it was \$9.50, and in the year 1918 it was \$10, the top price in 1914 being \$7, and the top price in 1918 being \$17.50.

The average price for lambs and yearlings during the year 1914 was \$7.25 per 100 pounds; in the year 1915 it was \$7.50; in the year 1916 it was \$9.75; in the year 1917 it was \$13.75, and in the year 1918 it was \$14.75, the top price in 1914 being \$9.50, and the top price in 1918 being \$21.50.

These figures are actual, and I defy the Federal Trade Commission to disprove them, and they give a complete answer to the charge of the Federal Trade Commission that there was an illegal combination between the five big packers to control the price to be paid for live stock on the hoof, through an agreement to buy a certain fixed and definite percentage of the live stock.

How would it be possible for these five big packers to have an illegal combination on this subject, when the commission reports that they are a monopoly in the industry, and still not depress prices? If there was the live-stock agreement that the Federal Trade Commission would have you believe, then I would like to ask what that was for? It necessarily was for the purpose, and the only purpose, of depressing prices. And yet for the last 10 years we have seen prices increase by leaps and bounds and to-day they are paying the highest prices for live stock on the hoof that has ever been paid in the history of the industry.

My third answer is, that if five parties constituting a monopoly in a certain industry has an illegal agreement for the purchase of its raw material, and to depress the price thereof, and which agreement is "automatic" and also regulates the sale of the finished product, then, necessarily, that agreement would be reflected in the profits of the business. This is just as plain as the nose on a man's face. It is susceptible of demonstration just the same as that two and two make four. Yet I say to you most positively and unqualifiedly that the net profits of Morris & Co. for the last five years have averaged only 1.54 per cent on the turnover, and has been a fraction under a third of a cent per pound, the average profit per 100 pounds in the year 1914 being 26 cents; in 1915, 25 cents; in 1916, 32 cents; in 1917, 40 cents, and in 1918, 26 cents. The profit per head in the year 1914 was 53 cents; in 1915, 55 cents; in 1916, 73 cents; in 1917, \$1.11, and in 1918, 83 cents, the average for the five years being 77 cents. During each of the last five years Morris & Co. has paid, in the shape of dividends, an average of 1.5 per cent on the amount of its capital and surplus. The balance has gone back into the business. The profits of Morris & Co. for the fiscal year ending November 2, 1918, was 7.24 per cent on the total capital invested, including borrowed money, or 9.39 per cent on the money invested by Morris & Co. itself in the business, and I defy the Federal Trade Commission to show to the contrary. And I say to you that this is not only an effectual, but a convincing answer, to a charge that is built solely upon theory and not upon facts. And if this honorable committee has any doubt about the accuracy of these figures we will gladly submit all of our books and records to any reputable, chartered accountant which the committee may appoint for verification, or our secretary will submit to examination by this honorable committee on this subject.

My fourth answer is that if there was an agreement originating in the year 1903, 15 years ago, the Federal Trade Commission, with all the resources of the Government at its command, would have located at least one employee for these five concerns, and there are thousands upon thousands of them—some of them discharged and dissatisfied—who would have been able to give one tangible bit of evidence to the effect that such agreement was in existence or would have been able to give the workings of such an agreement. It is absolutely impossible to conceive of such an agreement being in existence and not known by some one of the thousands of employees of these five companies. Some of the buyers would necessarily have to be let in on such an agreement. Yet the report, on page 44, is to the effect that not a single employee was located who could "tell how it is managed."

My fifth answer is that the Government has representatives of the Bureau of Markets, under the Department of Agriculture, in all of these various yards whose duty it would be to discover such an agreement if one existed, and I say that it would be physically and absolutely impossible for such an agreement to be in existence for such a length of time at so many yards and these representatives of the Government not be able to detect it.

My sixth answer to this unfounded charge is that the same charge identically and covering some of the same time was made by the Government in the trial of the case against the packers in the city of Chicago, which commenced December 6, 1911, and ended March 27, 1912. After hearing all of the evidence, which included all of the tables now relied upon up to January 1, 1912, 12 good men and true, by a unanimous verdict, found the packers not guilty.

I want to say to you where a charge of this sort, in which the Federal Trade Commission admits that it has no evidence whatever of any meetings and has the testimony of no employee to substantiate the charge, and where the charge is built upon theory alone and which was knocked out in a court of justice, that any one of these six answers constitutes in itself a good and sufficient answer; and so I say that with this charge knocked out the entire report amounts to nothing whatever, because this is practically all that there is to the report.

In that connection I would call your attention to the fact that the Federal Trade Commission has not unearthed anything new, but has simply revamped the old charges with a little additional theory that uniformity of purchase of live stock would "automatically" regulate and determine the price to be obtained for fresh meats, and which, I think, I will show a little later to your entire satisfaction is perfectly silly and ridiculous.

This question of the alleged uniformity of purchase is not only not new, but I say that this entire question has been fully adjudicated in a court of justice and by a jury in favor of the packers, because the purchase of these packers was introduced from the year 1903 up to and including the year 1911. And how is it possible to establish any guilt or wrong doing by an ex parte and partisan investigation where the same figures have been fully adjudicated and passed upon by men under oath and in favor of the accused? The alleged "1910 arbitrary" that is referred to in the report of the Federal Trade Commission was involved in the trial of 1912.

Of course, the Federal Trade Commission has shown all of these figures in percentage, because it apparently shows a closer uniformity where there is such a tremendous volume as there is in the packing industry. But this honorable committee must understand that one point, or even a fraction of one point, means a very large number of cattle in the buy of these five packers.

While it is perfectly clear that the conclusions and recommendations based upon this report must fall to the ground and be ignored because resting upon this false premise that the tables of purchase prove combination or wrong doing, still there are certain other features of this remarkable report that I will refer to. The commission makes it very plain and positive that this supposed pool works "automatically." They are required to take that position because they admit that they have absolutely no evidence of any meetings whatever. Let us consider that for one moment. If the mere division of "buy" of the five big packers settles the whole question, and for all time, so that there need be no meetings and so that it works "automatically," then necessarily all that is needed is one buyer at each of the yards to take over his quota or percentage. But that is not the way it is done. The commission, on page 42 of its report, states that each packer has "an elaborate system of private telegraph wires—with several thousand messages sent and received each day, supplemented by a larger use of the telephone and of yard messengers at all markets." And even with this great and complex system, the commission, on the following page, "let the cat out of the bag" when it states that the head buyer "must change his plans quickly to offset the uncontrollable actions of small packers, order buyers, and speculators." How is it possible that the actions of these other buyers is "uncontrollable" if these five packers have an absolute monopoly, as contended?

But there is one other big fact in connection with the trial of the packers in 1912 to which I would direct the attention of this honorable committee. In that case the Government took no such absurd position as that now taken by the Federal Trade Commission, to the effect that a fixed percentage of the "buy" will, in itself, "automatically" regulate the sale of the finished product. The Government took the position that the packers wrongfully had a figured, or test, cost, and, apparently, was honestly of the opinion that the packers should have an actual cost. However, it was made very plain in that case, even to the unwilling, that it was physically and absolutely impossible for any packer to have an actual cost.

To illustrate: The packer will buy 50 head of cattle on the hoof, for cash. He does pay just the same for the unsound as the sound. He does not buy subject to condemnation. The producer and not the consumer gets the benefit of that law. But, in addition to this, no man can tell just how a bunch of cattle will dress out. Expert buyers can take a pretty fair guess at the proposition, but even they are fooled sometimes. The insurmountable difficulty is that, while cattle will ordinarily dress out about 52 per cent meat, it is physically impossible to tell what will be obtained for the remaining 48 per cent of the animal—the casings, hide, fat, hoofs, horns, tail—that is, the by-products—because the most of these products are sold in the future, some of them a year or more after the animal is slaughtered. In the meantime the price may go up or down.

So that it must be self-evident that the actual cost of the fresh meat can not be ascertained. Consequently, there must be a figured, or test, cost. In the Chicago trial when the small packers testified it was developed that even though they do not utilize to any great extent the by-products, even they had a figured, or test, cost. The Government in that case spent a vast amount of money to prove that the packers, through this test cost and system of margins ancillary thereto, regulated and controlled the sale of fresh meats. As the evidence developed in that case it was also made very clear, to any open mind, that a perishable product must be sold on the market. After the testimony of the branch house managers and butchers was heard, the jury evidently was convinced that the figured, or test, cost, was not the means of carrying out any illegal combination in the sale of fresh meats. Evidently our Government has reached the same conclusion, because it has now manifested a desire to require the packers to install a uniform accounting system, with the same cost.

In other words, the Government now wants the packers to do the very thing that the Government prosecuted them for in 1912 as criminal.

In passing, it might be said that in 1912, the Government was just as convinced that the figured, or test, cost was the means of an illegal combination for the sale of fresh meats, as the Federal Trade Commission, apparently, is now convinced that the alleged "live stock pool" is the means of regulating not only the purchase of the meat animal, but the sale of fresh meats.

The significant feature of this historical fact in connection with the prosecution of the packers by the Government for maintaining a figured, or test, cost, with margins, is, that the Federal Trade Commission was driven from the use of the figured, or test, cost and margins, in its strenuous effort to build up a case against the five big packers. In other words, the commission was forced to adopt some other theory. They had no facts. They admitted that there are no meetings. So they were forced back to only one fact on which to build a lot of theory, and that fact, fortunately, was directly involved and fully developed in this trial, submitted to 12 men, under oath, and their unanimous verdict was to the effect that these packers were not guilty of any combination in the purchase of live stock on account of the alleged uniformity of purchase, as evidenced by the elaborate tables which were then used, and now used again, by the Federal Trade Commission.

Thus we find that all of this hullabaloo is built upon one fact that was satisfactorily explained in a court of justice in 1912. I want to say this, that on account of the criticism by the Government of its test cost, Morris & Co., voluntarily, has changed the basis of figuring its test cost, and now figures as near the actual as possible. that is, we take the actual market value of the by-products on the day of slaughter in figuring the test cost. Of course, this can not be the actual cost because in a great many instances these prices will fluctuate either way before the by-products are sold. But we wanted to escape all criticism in this direction and we are figuring the cost just as near the actual as can be humanly done.

But that is our policy with reference to all matters of criticism. Where there is criticism, either by the Government or the producers,

we try to meet these objections. Accordingly, when there was criticism some years ago about "wiring on" when live stock was shipped from one yard to the other, Morris & Co. gave strict and positive instructions not to do any "wiring on," and I say to you, positively, that we have not "wired on" since, and the Federal Trade Commission can not prove to the contrary. I want to say further that if the Federal Trade Commission had found any ground for criticism in the conduct of its business, Morris & Co. would gladly have conferred with the Federal Trade Commission and met its views, if possible. But we were given no chance.

Of course, the commission realized that its report would be incomplete for the purposes of the commission unless it could be shown that the combination controlled not only the purchase of the live animal, but also the sale of the finished product, because the consumer, who buys the finished product is everybody. Being driven away from the figured, or test, cast by the Government itself, and having absolutely no other evidence in the way of meetings, or anything of that sort, and discovering absolutely nothing, even in the private files of the packers that pointed to the control of the sale of fresh meats, the commission then evolved this beautiful theory to the effect that the so-called "live stock pool" automatically regulated the sale of fresh meats.

The commission itself almost recognized the falsity of this theory on page 28 of its report, which is as follows:

It is difficult, if not impossible, to carry on a pool in fresh meats in which shipments and margins must be decided in advance, without weekly meetings, or some other kind of regulation, communication, or discussion. Unless each member of a fresh meat pool knows at the beginning of the week how much is to be shipped to a given territory, there is likely to be a general glut or a general shortage.

Here I would notice another feature of this remarkable report. A great deal of criticism is indulged as to the "50-50" buy at certain of the stock yards in this country, including Oklahoma City. If you will kindly permit, I would like to say a few words by way of explanation as to Oklahoma City. Some years ago, as already explained, there was a very strong, and proper, tendency to locate the packing houses nearer the raw material, because that would relieve the producer of a longer haul, increased freight rates, and would give him less shrink. It must be self evident to this honorable committee that if the market is taken to the producer it must be on an infinitely smaller scale than the old established markets at Chicago, Kansas City, East St. Louis, and Omaha.

The Morris interests thought that the Southwest afforded a great opportunity to extend its business and open up and develop a new market in that territory, although it was in part occupied by its competitors, Armour & Swift, at Fort Worth. It would be impossible to get either Armour or Swift to locate a packing plant in the State of Oklahoma, or at any other point in the State of Texas. If there was an illegal combination existing between these five big packers, then necessarily no one of the five would enter into competition or open up new markets in territory occupied by the others. It would take a lot of nerve for any other packer to locate a plant in that territory, because it would mean competition and the loss of a lot of money in the initial building up of this new market. Notwithstand-

ing this fact, and the further fact that there is always great difficulty in building up a new market, Morris concluded to locate a plant at Oklahoma City, which it did, with stock yards, in the year 1910.

I submit that this situation very well illustrates and amplifies the dependency of the packing plant upon the stockyards and of the stockyards upon the packing plant. You can not conceive of packing plants without a stockyards in which to buy animals to be slaughtered; nor can you conceive of a stockyards without packing plants, because it is the packing plants that make the market at the yards. Consequently, one is absolutely dependent upon the other. When Morris concluded to build a packing plant in Oklahoma City, may I ask who would venture to build stockyards for a one-man market? Please think of that for one moment, and especially in connection with the vast amount of space that is devoted in this report to these so-called "50-50" markets. But Morris did build a stockyards in Oklahoma City and finally succeeded in getting Swartzchild & Sulzberger to agree to build a packing plant also at Oklahoma City.

Evidently, it was to the interest not only of the State of Oklahoma and the great Southwest, but of the cattle and hog industry, as a whole, to have this market go along and gradually be built up. Could it be built up by "ruinous competition"? In other words, if one should attempt to buy more than the natural capacity of his plant, or his share, if you please, the necessary result would be retaliation, and the necessary result of that would be that one or the other would ultimately be driven out of the market and then you would have no market at all. And yet this commission lays hold of the situation at three or four yards, similarly situated, and on the unjust theory evolved would create prejudice and feeling against the packers, while they are really operating in the interest of the cattleman and the hog man.

If this committee has any doubt about there being actual competition between Morris and Swartzchild & Sulzberger at Oklahoma City, on the one side, and Armour and Swift, at Fort Worth, on the other, all that you have to do is to read the evidence and decision in the rate case before the Interstate Commerce Commission, where there was a bitter fight between the two markets over the question of rates, it going to such an extent that it became a fight between the two States. I want to say to you that if the Interstate Commerce Commission had not decided the case in favor of the Oklahoma rates, there would be no "50-50" market at Oklahoma City to-day. We have got to look at these matters as men of plain common horse sense. This theory about the "50-50" markets reads very nicely, but when you get down to cold facts you will find that it is in the interest of the producer that these little markets near the source of production be maintained and they can not be maintained by "ruinous competition."

In this connection, and while there was so much said by the commission in its report about the "50-50" markets, I want to tell you that Morris purchased at Fort Worth last year more than 40,000 head of cattle and shipped them to Oklahoma City for slaughter. This can be verified by the commission, if it has not already done so, and I submit that this little fact means something in considering this question.

Another matter. The commission has seen fit to quote a lot of telegrams and correspondence about the different packers "supporting" the markets in the yards where they are interested. I am at a loss to know why all of this correspondence was inserted. In fact, I am at a loss to understand why a lot of ancient history, which does not concern the present, is inserted. But these telegrams, to my way of thinking, are very illuminating and helpful. Do they not show one great reason why the packers should have an interest in these yards, for if certain of these yards like Oklahoma City, St. Joseph, Denver, and Fort Worth are not "supported" at times by the packers, who will support them? And what is more to the point, who will buy when these big runs are on at the yards and the packers have all they really want? Yet these packers have stood up year in and year out and have "supported" the yards in which they had an interest, to the great benefit of the producer.

This also explains to a very great extent why the same prices in many instances are paid for "split shipments" at the various yards. These yards are jealous of their competitors, I might say, jealous of their very existence, and must have the same price paid or the market will go down. When the Swift interests find there is a "split shipment" in the St. Joseph yards and that the other part of the shipment brought a certain amount in the yards at Kansas City, they must pay at least as much for this split shipment in St. Joseph as was paid for the other part of the shipment in Kansas City, or in the future this shipper will ship all of his cattle to Kansas City and none to St. Joseph. This is made perfectly clear by the telegrams quoted in the report, and yet the report indicates a willingness on the part of the commission to draw improper deductions and conclusions therefrom.

Packers want stockyards built up and markets maintained. Take, for instance, Kansas City. Since Morris has become interested in these yards they have spent \$1,779,686.65 in the improvement of the yards for the years 1913 to 1918, or an average of \$296,000 per year, as compared with \$249,995 for the five years, 1908 to 1913, or an average of \$50,000 per year. These improvements have been for the purpose of facilitating the handling of live stock, loading and unloading promptly, and making the drives from the chutes as short as possible, all of which is certainly for the benefit of the shippers.

The report of the commission is not fair on the big, important question involved, and that is, the question of profits. If the profit of the packer is reasonable, then this charge of monopoly and illegal combination falls absolutely to the ground. If the large packer makes a reasonable profit, then no blame whatever can attach to these five packers merely because of their bigness, and I have shown that our profits are entirely reasonable.

In chapter 3 of this report, devoted to the subject of "agreements in other lines of business," the commission concealed the fact that the price of lard compound has been definitely fixed by the Food Administration, there being a separate agreement between each party handling lard compound and the Food Administrator. This again serves to illustrate the utter unreliability of this lengthy and sensational document. It is almost inconceivable that a branch of our Government would submit to the President of the United States a

carefully printed report, suggesting criminal prosecution and then set out, as one of the grounds for such prosecution, an agreement which was in fact made by and with another branch of the Government.

OTHER LINES OF BUSINESS.

The report of the commission is to the effect that the packers are branching out and handling commodities other than meats, referring particularly to wholesale groceries, produce, and salmon. Of course, if the commission had any real, actual evidence of illegal combination in either the purchase of live stock or the sale of fresh meats, we would never have heard of this charge, or at least so much time and space would not have been devoted to it. The truth is the commission in its crusade to "get" the big packers, realizing that it had signally failed in its charges as to the purchase of live stock or the sale of fresh meats, have "lugged" these other matters in to get the influence of the wholesale grocers back of this bill, and also to create the atmosphere in Congress that some legislation should be had against the packers. We are ready to meet that issue squarely, and we are ready to give the people an accounting in all branches of our business.

(a) Wholesale grocers: When this investigation was started, the commission sent out a written questionnaire to the wholesale grocers asking for instances of unfair competition or unethical practices on the part of the big packers. This clearly demonstrates what this investigation meant from the very start. It not only shows that this was not an investigation for constructive purposes, but was bitterly partisan and unfair against the packers, based on a prejudgment of wrongdoing.

But at the end of two years of a diligent search for unfair competition on the part of the packers, the big fact stands out in the testimony of Chairman Colver that no evidence whatever is introduced of any such unfair competition in this line, and that the quality of goods handled was good. In fact, he had nothing to complain of so far as the past or the present is concerned, his whole testimony being an expressed fear for the future on account of the "tendency" of the packers to absorb this branch of industry. The sole ground for complaint seems to be that the packers can handle these goods more cheaply and can sell them to the people at a lower cost than the wholesale grocer. I thought the cry was to get cheaper foods for the consumer. But, if mistaken in that, I would like to know it.

It is a fact, if that be an offense, that the packers have an efficient means of distribution, and as they already have a fixed carrying charge at their branch houses, additional lines of goods can be carried and sold very cheaply. If it is not desired that necessities be reduced to the consumer, all very well. And if the charge be true that the packers will put out of business the wholesale grocer, no unfair competition being shown, then it necessarily follows that this result would be attained solely because the packers sell these goods more cheaply to the consumer. In England today the constant effort is to cut down cost at every point possible and bring up efficiency. England says to her business man, if you cannot bring your cost down to that of your competitor and if he can market his goods more cheaply

than you, then you should not survive in that business, but you should get into some other useful line of production or activity. I have an idea that if this investigation had covered the question of distribution and sale of the meats, that the American people would have been astounded at the present waste and at the saving and economy that could be made. Unfortunately, we had no investigation along these broad, economic and constructive lines.

There is nothing in this whole situation for the packer to fear, if the fixed policy of our Government is to get foods to the people as cheaply as possible. Of course, if the policy is to have two to do the work when one would do it just as efficiently, then that is another question. When two needlessly do the work of one, then there is necessarily an added cost to the consumer. It is admitted that the packer can distribute and sell these groceries cheaper than any one else. Is this not what is wanted? Why not bring the wholesaler up to the level of the packer as to efficiency and down to his level as to cost instead of bringing the packer down to the efficiency of the wholesaler, with added cost, and which the consumer must pay in the end? If the idea is not to still further economize and thus reduce cost to the people, why any of these investigations? I was not aware that the thing sought after was to increase cost and to say to a business man that you cannot stay in this line of business because you operate it too cheaply in the interest of the consumer.

Chairman Colver has certainly paid a very high compliment to the efficiency of the packer and to his system of distribution, when he said that the wholesale grocer would be "put out of business as an independently operated and competitive business in five years and the retailer in 10 years." Why did he not investigate them? Would it not be interesting to know just where the fault lies? If the secret lies in the handling of several lines instead of one, then isn't this in the interest of the people? And possibly this is what Chairman Colver had in mind when he injected the words "independently operated" in his statement before this honorable committee. Possibly these wholesalers had better adopt the system of the packers, if it is superior. Possibly there are too many middle men in this country. We search this celebrated report for one word on that very interesting question. Would it be a crime to investigate and find out something about the middle man? The packers have already been investigated time without number. Why not try it on somebody else?

Chairman Colver, in response to questions, admitted to this honorable committee that the goods handled by the packers are of good quality and that no unfair competition had been shown, unless it be in the superior means of distribution which the packer possesses. The packers are selling cheaper than their competitors and yet his only fear is the future. So far as the past and present are concerned, the packers have been the friends of the consumer, as was clearly brought out by answers of the chairman, in response to questions of members of this committee. That being true, then how can the Federal Trade Commission recommend the taking over of the branch houses and means of distribution of the packers, until they have studied the defects and shortcomings in the distribution of the competitors of the packers, and to ascertain whether the cost can not be cut down so as to meet the packers' competition and thus give the

consumer the benefit thereof? The consumer should be given the benefit, if possible.

If the crux of the Federal Trade Commission's recommendation lies in its fear of what may happen in the future through monopoly, then this bill is offered as a form of State socialism, with the idea that State socialism is better than individual monopoly, but we are not to the point of monopoly. There is no reason why a very earnest effort should not be made to try and remedy defects, if any, in distribution by wholesale jobbers and middle men before rushing to the extreme of State socialism.

After getting expressions from traveling salesmen representing the wholesale grocers, Chairman Colver stated before this honorable committee that it was his opinion that the packers would put the wholesale grocers out of business in five years, and the retail grocers out of business in 10 years. Of course, this wild estimate is bound to convince anyone of the utter and complete unreliability of the report of the commission on this subject. In fact, it has been the strong effort of the commission to line up the wholesale grocers against the packers and thus to create a very strong bias and prejudice against the packers in public opinion generally. In that connection it is interesting to get some actual facts. The trouble with the commission is that it will not place its feet upon facts and figures, but instead it will lay hold of some proposition and build therefrom an unfounded theory.

Now the fact is, that in 1907 we had 2,586 wholesale grocers in the United States; in 1913, 3,156; and in 1918, 3,687. At this rate we can not figure how it is going to be possible for the packers to accomplish the demise of the wholesale grocery business in five years, or even 500 years. We have simply stirred them up a little in their own interest and to the great benefit of the consumer. The truth is that the packers are not going to put the wholesale grocers out of business, and the commission knows that. The wholesale grocer has his place in the economic plan of this country and is going to hold it. Efficient competition will force the wholesale grocer to revise his business methods and to cut down his costs, and this will be for the benefit of the consumer:

But Chairman Colver proposes to put the packer out of the wholesale grocery business through the license plan embraced in this bill, as stated in his testimony. It is the intention that when the packer makes application for a license under the provisions of this bill he will be limited to the packing business, and will not be permitted to do any business in the grocery line, thus leaving the wholesale grocers with a free hand. Is that what the people want? We think not.

And in that connection it is interesting to note the testimony of Chairman Colver as to the existence of an illegal combination existing between the wholesale grocers, his testimony being as follows:

Mr. DILLON. Did you find in your investigation any evidence of a combination existing by the wholesale grocers of the country?

Mr. COLVER. We did not report any such. (It hardly answers the question as to whether they found any combination to say that they reported none.)

Mr. DILLON. Well, what is your judgment on that question at this time?

Mr. COLVER. I think there is a tendency in that direction; but just a moment—no; because if I leave that answer stand it would seem to imply that I think there is a tendency for a nation-wide combination. I do not think I

would answer yes to that, as to a nation-wide combination. It is an industry that scatters from one end of the country to the other. It is made up of very large and very small units. It is a seasonal industry. I would not say that there is much evidence of anything like a nation-wide control.

From this it might be concluded that certain parties have a choice as between alleged illegal combinations.

Mind you, I am making no charge whatever that the wholesale grocer is in an illegal combination. I am not in a position to speak on that subject; besides, it is none of my concern so far as this present investigation is concerned. I am simply quoting the testimony of Chairman Colver as developed through questions from members of this honorable committee.

Legally, I believe that an American citizen has and should have the right to engage in more than one business. Economically, I believe that it was a good thing for us that the steam engine supplanted the old stage coach.

But notwithstanding the strong effort of the Federal Trade Commission to stir up animosity and hatred between the wholesale grocer and the packer, and particularly as to whether the packer is going to put the wholesale grocer out of business, it is very interesting to note a carefully prepared and signed article by Mr. Arjay Davies, president of the National Wholesale Grocers Association, in the Michigan Tradesman of December 18, 1918, and which is as follows:

During the years just ahead of us the usefulness or right to exist of everything, from the Supreme Court to the privately-owned delicatessen store, will doubtless be called in question by some more or less important section of our population. The one predominant principle will be the survival of the fittest. I have no need to tell you of the various private and public agencies that are here and there offered to perform the functions that the wholesale grocer, under the severest competition, has successfully discharged for centuries. No collective action on our part and no mere arguments or appeals to Federal or State authorities will or should maintain the wholesale grocer's position. His survival depends solely upon himself. If he is able to get food from the farm to the table more economically, quickly, and effectively than any other agency he will survive. If he does not, no association and no united effort can or should save him.

He must render better service than any other medium. He must conduct his business with greater economy than any competitor, private or public. That he can do this I do not entertain the slightest question. He has proved it. But he must ever improve and must make that proof ever more convincing. No developments of the peace conferences, no activities of any international food organization, no decision to continue or discontinue a national food administration, no reconstruction policy of President Wilson and his Cabinet, no laws of the present Congress or of the new Congress after March 4, can in any respect change the plain fact that to-day, as in all the months of the war, and in the years before, and through the years ahead, the wholesale grocer will be measured by his service.

This article shows keen business sense, but it is baffling to note the effort of a branch of our Government, created to assist and aid business, to convince a man of this type that legitimate and proper competition would wrongfully put him out of business in five years. The answer of Mr. Davies is, "that his survival depends solely upon himself if he is able to get food from the farm to the table more economically, quickly, and effectively than any other agency, he will survive. If he does not, no association and no united effort can or should save him."

So that we see that there is absolutely nothing in the charge that the packer will put the wholesale grocer out of business in five years.

The wholesale grocer will survive and will grow just as statistics and figures show that he is growing. Yet our Federal Trade Commission would stir up a world of prejudice and hatred in this country against the packers for doing this very laudable work.

(b) Produce: It is said that the packer is also in the produce business. Why not? His being in this business can only result in better quality, better service, and lower prices to the consumer.

A certain member of this honorable committee touched upon a very important subject in this connection while interrogating Chairman Colver with regard to the quality of the goods handled by the packers. If he had gone a step farther and asked about the condition of the goods handled in connection with produce he would have touched a vital feature of this business. We have heard a great deal in the public press about the spoiling and the destruction of goods. It has also been intimated that in many instances such destruction was intentional. I am making no charge in that regard. But it is an indisputable fact that there is a great waste in the Nation's food supply through spoilage and destruction. Would a little legitimate competition in this line of business tend to keep down that waste and destruction? And would that be in the interest or to the detriment of the consumer?

"Condition" is the middle name of the packer. Every man holding a position with Morris & Co., and whose duty it is to direct the activities of those who buy, prepare, pack, ship, deliver or handle produce, in any manner, is constantly and everlastingly schooled, checked, and made a past master in this vital question and in the technique of time and temperature, so that injury to any product is held to a minimum.

I dare say that this honorable committee knows what the packer has done for the quality of meat. I hope that all of you have enjoyed the pleasure of eating Morris "Supreme" ham and bacon, which is the last word in those great delicacies. Now, we are doing the same thing for produce, as far as quality and tastiness are concerned. Is this advisable? Still the Federal Trade Commission says that we are doing this work much cheaper than our competitors, to the extent that they will all be put out of business in a few years.

Gentlemen of the committee, are we to be punished simply because we keep down the waste and destruction of goods by preventing wastage? It would be marvelous if the inefficient in this direction were to be rewarded.

There is another important element in the produce business, to which I would direct your attention, and which enables the packer to go out and get this business in fair competition, and that is, the fact that the packer in the produce business is a thorough merchant. He is not a jobber, and he is not a speculator. Our whole organization is based upon efficiency and requiring our men to be posted as to the trade's requirements and in securing supplies to cover the same, using our best efforts at all times to keep the goods moving in as direct a line as possible from producing sections to distributing centers, and at no time withholding the supplies from the trade under price limits, which is the practice of many small shippers and dealers, who do more or less speculating in this respect, withholding their goods from the market, with injury to the product and to the detriment of the trade. Morris is in the market in a large way, as

a cash buyer, deals directly with the best known shippers at primary points, furnishing them a reliable and regular market during the seasons of heavy production, and especially preparing and setting aside a portion of the goods in season, during heavy production periods, to be used during seasons of scarcity for its trade's actual requirements, and not for speculative purposes. These goods are more or less seasonable in production, but not so in consumption. This practice of Morris & Co. insures at all seasons of the year a more even distribution and supply of these highly perishable products.

We do not desire to lodge any complaint against our competitors in this line of business, but it is only fair to this honorable committee to state that many of the small shippers and dealers handle this business in a haphazard manner, operating without proper facilities, without any artificial cooling, taking a chance on the weather to help them out, preparing their goods as to grades and styles according to their own ideas, sending their goods first to one market and then to another, favoring first one commission house and then another. Often the goods are not properly prepared and are in poor condition when they reach the market.

Often when this is done these goods are sold by one commission merchant to another, passed down the line to be handled and re-handled, involving added labor costs, injury to the product, and finally going to a class of trade where the price is more of an object than quality and condition. It is a deplorable fact that a large percentage of these goods are injured either in their preparation for the market, or in their handling to the point of distribution, and a very heavy per cent, as a result, is actually destroyed. This fact can be established even by the trade's general reports, and which are available to this committee. If it is not to the interest of the consumer that this business be stabilized, then I agree with the Federal Trade Commission that the packer should be kept out of this line of business. But we have nothing to fear, or withhold, as to our conduct in this business.

I desire to say that if intelligent legislation is to be had along this line, you should have laid bare the actual facts as to the speculator in produce, the amount of sheer waste which results from his practices, the loss of which is ultimately borne by the consumer. Are we, as merchants, to be punished because we are not speculators? Of course, if the people generally are satisfied with this sort of thing, and particularly with a Government investigation that does not investigate both ends of this great food problem, but only the manufacturer in the middle, and then only with the design of establishing some guilt, not for the purpose of big, corrective, or constructive legislation, and when his efficiency and low profits have been unalterably established, then, being a government of the people, we, as a part of that people, must bow in submission. But if the policy is to encourage speculation, waste of food through spoiling, and improper handling, then it is all right to take over the branch houses and distributing system of the packers, which they have built up through years of effort, turn them over to others, and strike down the great efficiency which the commission says will dispose of our inefficient competitors in a few years.

Of course, if the packers, through their efficient and superior means of distribution, can sell these goods too cheaply to the consumer and thus put their competitors out of business, and if the real idea back of this bill is to put the packer out of these side lines by refusing license for that purpose, and that is to be the policy of our Government, which was made very clear by Chairman Colver, in his testimony on December 30, page 66 of the official report, why this drastic bill which would also destroy the meat food industry? Why not prepare the bill along the lines that a man in this country can only engage in one line of business? But that sort of a law would have to be general in its scope and apply to all, and not merely the packers, as the present bill. Does the new thought that we have heard so much about include something of this sort?

(c) Salmon industry: Considerable has been said before this honorable committee about the salmon industry. Morris & Co. has no plants for the packing or handling of salmon. We handle salmon only as distributors. Yet Chairman Colver, in his testimony before this honorable committee, admitted the existence of a combination in the packing of salmon, amounting to a monopoly, and when asked by a member of this committee why he did not strike at the root of that evil and get after that monopoly instead of the distributor, he replied, "We are only trying to tackle one of these things at a time." It might be added that there is, apparently, an over-weening desire to tackle the meat packers first.

(d) List of articles handled by the packers: The chairman of the Federal Trade Commission submitted to this honorable committee a long list of articles handled by the packers. The evident purpose of this was to stir up all other parties handling any of these articles against the packers, and to create a fear in the public mind that the packers were getting too strong for the common good. I have not had the time to differentiate the different products covered in this list, but I have gone far enough to state positively that more than 90 per cent in value, of these products are legitimate by-products of the packing industry; that is, these products are the result of the great development and utilization of the by-products by the big packer and this is greatly to the interest both of the producer and the consumer.

Now the situation is that in the distribution and sale of these by-products, it is found that the packers, with the same overhead and the same instrumentalities for distribution, can handle additional lines to advantage. This is to the advantage of the consumer, because it will necessarily cut down the cost to him. But if this bill is to become a law, and the packers are to be deprived of their instrumentalities of distribution for meat and meat food products, and also denied the privilege of handling anything but meat and meat food products, then it is only a short step to the drawing of the line between the handling of meat and the by-products thereof, so that the next bill suggested by the Federal Trade Commission would be to deprive the packer of the right to handle and sell these by-products. As one of the members of this honorable committee very properly asked, "Where will you draw the line?"

Of course, if it is not in the interest of the consumer that these by-products be fully utilized, then it might be well to introduce a bill forcing the packers to dismiss all of their chemists and experts in the

line of development of by-products and go back to the old order of things when these by-products were not utilized to speak of at all.

Mr. Colver, in his testimony before this honorable committee, brought all of this in as a proper "background" to his presentation of this matter. Others might call it "scenery," but I say it is just plain "camouflage." Its purpose is to create a feeling of prejudice against these packers and a disposition in Congress to legislate against them, even if the present bill, which introduces Government ownership, can not be accepted.

(c) Related and unrelated corporations: Knowing that it has no evidence of illegality, the Federal Trade Commission hopes to build up a sentiment against the packers, so that legislation of some sort against them will come out of the situation. Accordingly, when the Federal Trade Commission discovered that stockholder of one of these corporations happened to have some stock in a certain bank, then this bank was listed as one of the corporations controlled by this "terrible octopus," and in this way they accumulated something like seven hundred corporations. Then they deliberately give out to the people the impression that these five packers have such tremendous power that it could absorb and destroy any business and all competition at will, and that it is reaching out for a world monopoly of food products. But, having submitted its sensational report, the commission now seems determined to get something out of the situation, in order that it may, in street parlance, "save their face."

I would also say a few words as to the summary of the report of the Federal Trade Commission on the meat packing industry, which even the commission very graciously admits is "more particularly a study of the activities of the five principal meat packing corporations, Armour, Swift, Morris, Wilson, and Cudahy." I want to call your attention to the fact that the commission itself is firmly of the opinion, in which I heartily concur, that this bill could be used as a means to absolutely destroy this great industry, and which was built up very largely by three generations giving their personal time and attention to the business, and which accounts for its success, where failure has marked the efforts of salaried men in other businesses.

On page 3 of this summary, the commission says:

It appears that five great packing concerns of the country—Armour, Swift, Morris, Wilson, and Cudahy—have attained such a dominant position that they control, at will, the market in which they buy their supplies, the market in which they sell their products and hold the fortunes of their competitors in their hands.

This is exceedingly strong language and yet it is deliberately used in a report to the President of the United States and after a year and a half has been spent in examination of the industry. Please note that the commission says that these five packers control "at will" their purchases, their sales, and their competitors.

Nevertheless, bearing in mind the powerful position that these five corporations hold, according to the commission, still the commission say that if this bill were passed this industry could be absolutely destroyed, for the commission, on page 4, says:

If this five great concerns owned no packing plants and killed no cattle and still retain control of the instruments of transportation of marketing and storage, *their position would not be less strong than it is.* (My italics.)

But this bill proposes to give to the Government this identical control. Consequently, the converse of the proposition must neces-

sarily be true and it follows from these two quotations that the monopolistic control and strength of these five concerns, even to the extent of controlling "at will" their "buy," their sales and their competitors, is solely through the instrumentalities mentioned in the bill. Consequently, if impractical men unfamiliar with this business, had control of these instrumentalities, these corporations could be absolutely destroyed, according to the commission itself. That raises the very serious question, then, should this great power be granted? This language certainly sounds a note of warning as to what is really involved in this bill, and what was intended by this commission. It means more than paternalism. It means more than even the crippling of a great industry which has rendered a wonderful service, not only to this country, but to the cause of freedom and international equity and justice, in a great world crisis. It would necessarily mean that the benefits now derived from the efficiency of this industry would be lost forever to the consumer.

I would call your attention to one other quotation from this summary, which is to be found on page 6, and which is as follows:

Some independent packers exist by sufferance of the five, and a few hardy ones have survived in real competition. Around such few of these as remain the lines are drawing in.

Is there any doubt in the minds of this honorable committee that the effect of this strong language, coming as it does from a branch of our Government, would necessarily sow the seeds of deep and lasting hatred and prejudice against these five packers? And yet I would call your attention to the fact that this report will be searched in vain for the name of a single independent packer who has been put out of business by these five big packers. This report will also be searched in vain for any real evidence of unfair competition, and I now charge that the Federal Trade Commission spent a great deal of time with the smaller packers and the competitors of these five great packers to discover and unearth something in the way of unfair competition, and to get such competitors to disclose illegal practices or oppressive and unfair tactics on the part of the big packers.

I now state that there never were so many packers in competition with the five big packers as at present, and the business of these smaller packers was never in better shape. The commission is mistaken when it says "the lines are drawing in." For instance, the business of the Chicago City Butchers has more than doubled since 1915 and John Agar & Co. has more than trebled during that period. When the commission submitted tables of "buy" for the five big packers, it is unfortunate that the "buy" of all other packers was not also submitted for the last five years.

On pages 115 and 116 of part 2 of the Federal Trade Report, Mr. Charles H. May, of Madison, Wis., is of the opinion that the five big packers took turns in cutting the prices on meat products. It appears that he was in business for the years 1917 and 1918. The fact is, that our company had a car route out of Janesville, which constituted the only competition that we could give this man, and in the year 1916, when he was not in business, this car route showed a net loss of \$533.02, and in 1917, when he was in business, it showed a net gain of \$441.78. So that these figures demonstrate that Morris & Co. was not cutting prices as against this party.

There is no evidence of any unfair competition in the report, as to groceries or produce. They did not get it because it was not to be had. And yet this same Federal Trade Commission uses this vitriolic and bitter language against a great industry that helped prevent the defeat of the allied armies before our army ever touched French soil. In the face of that service, and while the service is still not complete, this same Federal Trade Commission comes along and by its own language, admits that it has had prepared and recommends the passage of a bill that could be used to destroy the industry absolutely.

PURCHASE OF LIVE STOCK AND SALE OF FRESH MEATS.

But I am sure that this honorable committee would like to know just how the live stock is purchased and how the fresh meats are sold. We have nothing to conceal in that regard. You are entitled to know the details of the purchase of the live animal and the sale of fresh meats. In fact, I wish it were possible for this honorable committee to personally visit the Chicago yards and see just how this business is conducted in all of its ramifications, and particularly to go into the yards in the morning and see for yourselves just what "makes the market."

At the outset I want to state, most positively and without reservation, that Morris & Co. has no agreement whatever limiting its purchase of live stock to any percentage, and that our buy is governed solely by our capacity to kill, our distributive outlet, and the receipts.

Ordinarily, in times of peace, we purchase cattle for three different purposes; that is, (a) for distribution through our branch houses, car routes, and such direct trade as we may have; (b) for hotels, railroads, steamships, and institution trade; (c) canners and similar purposes.

You can readily see that our purchase of the first class of cattle is governed largely by orders sent in by our branch houses and car-route departments of their requirements, together with grade and kind of cattle that are wanted; and these orders are filled as nearly as possible in line with the requests from our branch houses and route cars, considering the receipts of cattle and market conditions. Cattle purchased for hotel, railroad, steamship, and institution trade are also taken care of in a similar manner; the head of this department making up an estimate of his requirements each week. But the canners and cutters are shipped to the markets in large numbers between July and January, and at other times of the year in comparatively small numbers, so that our purchase of this class of cattle during the heavy run is limited only by our killing and cutting facilities. Because this class of cattle comes in larger numbers during this season than the trade demand will require, a very large quantity of this meat is sent to the freezers in the shape of carcass and cuts of meat to be supplied to the trade during the season when this class of cattle is scarce, and in this way we are enabled to pay a fair price for the cattle when on the market, although an immediate outlet could not be found for them at the time. By distributing the meat during the season of scarcity, excessive prices to the consumer are prevented.

The first thing in the morning is for the head of the beef department to distribute his orders to the head cattle buyers at the different

markets for as many cattle as he figures they can use, giving larger or smaller orders to each buyer according to receipts at the particular market, the kind of cattle that are coming to the particular market, killing capacity of the plant at each market, and also taking into consideration what cattle have been costing in the various markets as compared with what they have been selling for at other markets. During the day these orders may be changed. Receipts may be larger or smaller than at first reported, and one market may be considerably higher or lower than others, causing changes in the original orders. The head of the beef department also gives his opinion to the cattle buyer as to whether cattle should be bought higher or lower, basing this opinion on the receipts of cattle, which fluctuate continually, and also the condition of the beef trade. But above all, the first aim is to operate our plants as near capacity as possible, and the buyer, in order to do so, must buy cattle on the market in which he operates, at the market price, in order to keep his killing gang going.

As there is no agreement whatever as to percentage of "buy," we have different buyers for steers, cows, hogs, and sheep. Each must be an expert in his particular line, for the buy is based solely on his judgment as to quality, fill, and dressing.

You can readily understand that each buyer must have an approximate order for the number of head which he is to buy daily, and it must be self-evident that it would be an absolute impossibility to give instructions in any possible manner to buy a definite and fixed percentage and not have these buyers know it. Our buyers trade absolutely according to market conditions and our needs of live stock.

The fresh meat is sold like any other highly perishable product, strictly on the market. It is nonsense to say that any agreement fixing the percentage of buy would, automatically, or otherwise, regulate the sale of fresh meat. Often our beef is sold at an actual loss, and sometimes at a very heavy loss. The fact is that no two carcasses, even in the same lot of cattle, are alike. And you can not understand the full scope of that proposition unless you step into a cooler and have an experienced man point out to you the differences. But this one proposition would prevent absolutely the possibility of an agreement in the sale of fresh meat.

This meat must be sold while it is fresh. And the receipt of cattle at the live-stock markets will often influence the price to be obtained, because the butchers in these large marketing centers are posted on cattle receipts at the various yards just as fully as the packers. The Federal Trade Commission would have you believe that there is something wrong in obtaining this information. But it is public, furnished by the Government, and everyone connected with the industry, including the butchers, in New York City, Boston, and Philadelphia, get these receipts daily at the various western markets, and they regulate and determine their "buy" accordingly. All of this would be made very clear to you if you would make a personal inspection of the sale of fresh meat in the branch houses in New York City.

But the fact that the fresh meat is sold strictly on its merits is simply demonstrated by the figures which I have given you showing the great variation in the margins obtained for beef sold on the same day, on the same street, in the same city. If there was an agreement

regulating this matter, the prices would be uniform and the same, or at least approximately so. They are radically different, as you can readily ascertain yourselves first hand.

I say to you that it is a monstrous proposition that a representative of the Government, after investigating this subject for two years, would deliberately say to this honorable committee that fresh meat can be sold like shoes or machinery, or some other staple, and this lies at the base of the recommendation of the Federal Trade Commission to take over the branch houses. If they are wrong on that, then these branch houses should never be taken over, because the result would be to destroy absolutely the sales end of this vast industry, and when that is destroyed, then everything will be destroyed, including the demand and market for live stock.

Live stock is purchased and the fresh meat is sold under the old law of supply and demand. If the cattle receipts and prices will be carefully studied by this honorable committee it will be ascertained that light receipts have always tended toward high prices and that excessive receipts have tended toward reaction and lower prices. It is not within the power of the packer to regulate live-stock receipts so as to make them more uniform, which would naturally have a tendency to steady the market. That is a big economic question and it is unfortunate that questions of this sort were not studied in a fair and economic way, so that the American people as a whole would have gotten the benefit therefrom.

Representatives of the Bureau of Markets, practical men, are constantly in the stockyards and also in the big distributing centers, studying both the buying and selling, making daily and weekly reports to the Government. These men know that there is no agreement fixing the percentage of buy and also that no such agreement could regulate the sale or price of fresh meats.

Of course, this honorable committee appreciates that the larger part of the hog product is cured and packed during the season of large receipts and distributed throughout the year. These products can be shipped to points where there is no refrigeration, and there sold to jobbers and others, and so we do not have to depend entirely upon our branch houses for our volume in pork products. As a matter of fact, our distribution is greater than our killing capacity in some lines of hog products and we are buyers of very large quantities of hams and bacons and other cuts of cured meats. With reference to the distribution and sale of fresh meats the branch house is absolutely essential to this great industry. Strike that down and you will instantly strike at the price of live stock and the quantity of production. Of course, the greater part of our hog products are sold through our branch house markets, and if it were not for the branch house this product would have to be handled entirely through jobbers, which would mean an additional cost to the consumer.

UNIFORMITY OF LIVE-STOCK PURCHASE.

The Federal Trade Commission relies solely upon an alleged uniformity of purchase of live stock to establish an agreement between the five big packers to buy a fixed and definite percentage and certain tables, which they say they took from the office of Swift & Co., are relied upon to establish such uniformity.

In the first place, it would prove nothing, even if the purchase of these five big packers would be approximately the same. This business has been in the course of development for a great many years, and, naturally, each company has its regular organization, its plant capacity, and its distributing facilities with their fixed and definite capacity. So it would be quite natural if the purchases would run approximately the same, just as the purchases for the big State Street stores or any other big business of this country. It is the law of general average. But in the second place, these figures are not uniform. In order to accurately understand the tables submitted by the Federal Trade Commission, you must understand the volume involved. The Federal Trade Commission could give out purchase and profits in either percentage or figures, and they have given them out according to the purpose or impression sought to be obtained. Profits have been given in figures, because the tremendous volume makes these figures appear large. On the other hand, the purchases are given in percentage, because the tremendous volume also makes the percentages appear more uniform.

A great deal is said in the report of the commission about the "1910 arbitrary" to be found on page 35 of part 2. I do not know who prepared this "1910 arbitrary," nor when or why it was prepared. But I do know that so far as Morris & Co. is concerned there is no basis for the figures, for if the business done by the National Packing Co. in 1910 is distributed among the three parties interested, that is, Swift, Armour, and Morris, the percentage of Morris would be 17.94, and treating 1911 the same way the Morris percentage would be 18.63. If we turn to the cattle purchase, according to the table on page 57 of the commission's report, we find that the Morris percentage of business actually done varies all the way from 17.14 per cent in the year 1917, to 18.14 per cent in the year 1915. This 1 per cent represents 76,000 cattle, approximately 10 weeks' kill in Chicago or 3 weeks at all of our plants. So the uniformity of buy theory is knocked into the proverbial "cocked hat."

In commenting on the weekly purchases (on page 51 of its report) the commission says that they average more nearly to the standard percentage as the end of the year approaches, and when the end of the year is reached the percentage is almost exact. This is not true, as will be seen by referring to the table on page 50 of the report, where at the close of the year 1916 the Morris percentage is shown as 17.86 per cent, while in 1917 it was 16.89 per cent, which represented a difference in the Morris kill of 67,560 cattle.

But let us see not only if there is uniformity of purchase, even according to the tables, figures, and testimony set out in the report of the commission itself, but also the importance of considering volume in connection with the tables and the figures referred to. For instance, the alleged agreed percentages at Omaha for the hog purchase (on page 29 of the report) is given as follows: Armour, 30 per cent; Cudahy, 30 per cent; Swift, 25 per cent; and Morris, 15 per cent. Now the fact is that in 1918 Morris bought 18.77 per cent of the hogs at Omaha, which is 99,861 more hogs than Morris would have purchased if we had only purchased 15 per cent, which the commission says was the Morris percentage at that point.

Then the report contains a table which shows that in 1917 Morris purchased 9.60 per cent of the hogs at Chicago, and in 1916 purchased

8.90 per cent of the hogs at the same place. These percentages, standing together, seem very close and might give the impression that there was control back of them. But this difference of less than one point represents a difference of 46,515 hogs purchased.

On page 49 of the report, Swift's cattle purchase at Chicago in 1917 was given as 36.63 per cent; in 1918 Swift bought 38.32 per cent, yet this small difference in percentage represented a difference of 33,587 cattle in purchase. On the same page, the Cudahy cattle purchase at Omaha is given in 1917 as 25.34 per cent; in 1918 Cudahy bought 24.34 per cent, and this 1 per cent difference represents 11,633 head of cattle.

The Swift cattle purchase at St. Louis in 1917 is represented in the report as 41.41 per cent, while in 1918 Swift bought 39.05 per cent, yet this difference in percentage represents 17,606 head of cattle.

The difference in the Wilson Chicago hog purchase in the years 1916 and 1918 was 1.29 per cent, but this represents a difference of 56,721 hogs in the two years.

The difference in percentage between the Armour hog purchase in Chicago in the years 1916 and 1918 is 0.99 per cent, and yet this small difference of percentage represents 43,527 hogs.

The Swift hog purchase at Kansas City in 1917 was 19.91 per cent: in 1918 it was 21.67 per cent, and yet this difference of 1.76 per cent represents 46,766 hogs.

The Wilson hog purchase at Kansas City in 1917 was 21.12 per cent; and in 1918 it was 19 per cent, and yet this difference represents 56,332 hogs.

The Armour cattle purchase at St. Joseph in 1913 was 27.54 per cent, and in 1916 it was 33.37 per cent.

On page 66 of the report, Mr. Cudahy is made to say that his percentage of hogs at Kansas City was 17 per cent, and the commission would conclusively infer therefrom that an agreement existed fixing that as his percentage. Now, according to his actual buy in that market we find that in 1916 it was 15.20 per cent, a difference of 1.8 per cent, which represents 40,194 head for that year.

On page 30 of the report the Federal Trade Commission relies upon the statement of a Kansas City buyer of Armour & Co. to the effect that Armour's percentage in that market was 35 per cent. In the year 1918 Armour bought at Kansas City 24.33 per cent of the cattle, a difference of 10.67 per cent. This represents 171,669 head, thus showing the utter unreliability of this entire report, and yet the conclusions reached by the Federal Trade Commission is built around such stuff as this.

On pages 49 and 50 of the report, in dealing with cattle purchased at the various markets, the Morris purchase for 1916 is given as 17.86 per cent as compared with 16.89 per cent in 1917. This difference of less than 1 per cent represented 67,560 head of cattle.

On page 53 of the report, dealing with the purchase of hogs at East St. Louis, the Morris percentage of buy in 1916 is shown as 15.02 per cent, while in 1917 the percentage is 12.49. But this small difference in per cent meant a difference in the number of hogs purchased at that place of 51,646.

On page 55 of the report, dealing with the total hog purchase at all points, the Morris percentage is shown as 9.29 for the year 1917, as

compared with 9.64 in the year 1916, the difference being only 0.35 of 1 per cent, but this meant a difference in the Morris buy for the year of 98,495 head of hogs.

On page 57, showing the percentage of purchases by the five big packers for five years at all points, the Morris per cent of cattle in 1915 was 18.14, as compared with 17.14 in 1917. This 1 per cent made a difference in the total purchase of Morris of 76,295 head of cattle.

Now, these figures are merely characteristic of all the numerous tables and figures submitted in the report of the Federal Trade Commission, and these figures demonstrate that no reliable conclusion can be reached by considering merely the percentage figures, and without taking into consideration the actual volume involved.

And yet the Federal Trade Commission would have you believe that an agreement for a fixed and definite percentage of the buy is absolutely established through these tables of percentages, and, being established, such agreement regulates the sale and price for fresh meats. This is nothing short of sheer nonsense.

But I can not leave this question of figures and percentages without calling your attention to the purchase of hogs at Omaha, because there are a great many references in the report of the Federal Trade Commission, and especially on page 29, to the working of a fixed percentage of hog buy at this point. And the percentage which was fixed, according to the Federal Trade Commission, was Armour 30 per cent; Cudahy, 30 per cent; Swift, 25 per cent; and Morris, 15 per cent. Now, the fact is, that in 1914 Morris purchased at Omaha 16.42 per cent of the hogs, or 309,441 head; in 1915 Morris purchased 17.13 per cent, or 349,979 head; in 1916 Morris purchased 17.37 per cent, or 432,715 head; in 1917 Morris purchased 17.99 per cent, or 375,916 head; in 1918 Morris purchased 18.77 per cent, or 497,115 head.

The difference between the "arbitrary" of 15 per cent and the actual purchase in 1918 of 18.77 per cent represents 99,861 hogs; over two months' killing at our Omaha plant.

This theory about uniformity of purchase should have no more effect than it had on the jury in the trial of 1912. There is no merit in it.

THE BANKERS.

An entire chapter, and more than 50 pages of printed matter are devoted to a discussion of the interest of certain New York bankers in one of the corporations constituting the five big packers, and dire possibilities are drawn from the fact that bankers are interested in the packing business. We do not need to go to the future, or speculate on what may happen, in order to get useful lessons out of this very significant circumstance, and which bears directly on the lack of power of these five packers, and also on the amount of profits which they are making.

The fact is, that it takes a vast amount of money to pay cash every day for the large number of live meat animals purchased by these five big packers every day of the year and to conduct this enormous industry. Some day the importance of this may dawn upon the producer, who gets his cash every day. The packers are necessarily heavy borrowers. The company in which these bankers, or their clients, have

become intertested, was one of the five big packers included in this so-called "live-stock pool," and which the Federal Trade Commission reports has existed so long that their "consciences became dulled," coming originally out of the old Veeder pools in the eighties and then through the National Packing Co. in 1903, and the Federal Trade Commission claims to have traced the present "live-stock pool" back to 1902. According to the Federal Trade Commission it was so strong that it could "at will" control its purchases, its sales and its competitors (page 3 of the summary). And the Federal Trade Commission tried to make the American people believe that the packers were ruthless profiteers. And yet the admitted fact remains that one of these five big packers was forced to reorganize and re-finance on account of financial difficulties. How could that be possible, with this company as one of the members of a pool that for more than fifteen years controlled "at will" its purchases, its sales, and its competitors? This one stubborn fact drives home the conviction that there is a screw loose somewhere with the theory of the Federal Trade Commission. As a general proposition, where there is a sharp conflict in human testimony, there is some big, controlling fact which indicates where the truth lies. So I say this one big fact points to the truth, not only as to the power—or rather lack of power—of these five packers but also as to the profits which they make.

Solely on account of these financial difficulties of this company, which is supposed to have been sailing along as a member of a greedy and grasping monopoly that was profiteering, we find that the bankers reorganized this company, but only to save their money. This can not be denied, and I would like to have an explanation as to how it would be possible for one of these five big packers to hit the financial rocks if one hundredth of what the Federal Trade Commission says is true. It strikes me that there is a great inconsistency in the situation.

That is all I am going to say on that subject. Let the Federal Trade Commission explain, if it can. Yet the commission would have the country believe that these five packers are going to send it to the bow-wows simply because these bankers were forced to reorganize one of these corporations in order to save their money, and which was advanced so that the company could pay cash every day to the producer for his live stock.

FLUCTUATIONS.

The President, in his letter to the Federal Trade Commission directing this investigation, had something to say about fluctuations on the live stock market. This subject is pretty well covered by Mr. John G. Imboden, a successful feeder, in the *Breeder's Gazette*, of the last issue, in which he uses the following language:

How to regulate the market so as to avoid these violent fluctuations is still a serious problem. Are the skyrocket markets that we occasionally have on cattle, hogs, and sheep any more justifiable than the violent declines? When the market rapidly advances and goes far beyond the producers' expectations, as it often does, he does not complain or find fault with his commission firm; he does not say there is a combine on the part of the buyers and packers; he does not say there is no competition. He says that the supply and demand are such that the buyers and packers can not help themselves; that they must pay the price if they meet competition and get the stock. But let the reverse come,

and what do we hear from the producer? He finds fault with his commission firm; he says that it is evident that there is no competition among buyers; that there is a combine to manipulate prices, and that the supply and demand have nothing to do with the market. I claim that supply and demand have been and will be the controlling influences affecting the live-stock markets.

The viewpoint of the different shippers on this question is determined very largely by whether they catch the peak or the low point of the market—simply the old rule of human nature, where there is no complaint if successful, but very loud and persistent complaint if they happen to be against the market.

I want to say on behalf of Morris & Co. that if any plan can be devised that will do away with fluctuations we will be only too glad to cooperate in good faith and to the fullest extent. In fact, anything that will improve market conditions or will be in the interest of the producer, we will embrace. Unfortunately, however, that is not the purpose or the effect of the bill before this honorable committee.

TESTIMONY OF CHAIRMAN COLVER.

Of course, the feasibility of the scheme contemplated by this bill is very important; that is, to ascertain whether it is practical and workable. With this evidently in mind, a member of this honorable committee put the following question to Mr. Colver when he was on the witness stand:

So that there would be nothing left to these corporations or associations now engaged in the packing business except the privilege to slaughter their cattle or the right to slaughter their cattle, and to own packing establishments in which they did their business. Everything else that was necessary and pertinent to the conduct of that business would be under Federal control, if the President or his agents should so desire; that is it, is it not?

Mr. Colver: Yes. I think that the packing business then would be in exactly the same situation as, let us say, the automobile business, or the manufacture of cotton textiles or wooden textiles. That is to say the manufacturer would buy his raw materials and work it up and turn it over to a common carrier to be sent forth on its journey in an open, free channel of interstate commerce, with its destination the final consumer; he would be in exactly the same condition as all the rest of the manufacturers in this country, and he is a manufacturer.

He was then asked whether he could conceive of any other large business being restricted in this manner, that is, by being limited only to the manufacture and having all other facilities taken away, and to this question Mr. Colver answered as follows:

I conceive that millions of dollars are invested in the manufacture of shoes under similar conditions, millions of dollars are invested in the manufacture of flour under similar conditions; millions of dollars are invested in the manufacture of machinery and steel under similar conditions.

It is simply impossible to imagine how any man, who knows the A B C's about the packing business could make such statements. Evidently Chairman Colver learned absolutely nothing about the sale of fresh meats during the two years that his commission has been investigating that important subject. But the trouble is, that he was not looking for something corrective or constructive, but was looking only for something criminal against the packers. He evidently thinks that all the packer has to do is to load the meat into a car and ship it to New York and it will sell itself. He fails to draw the great underlying distinction between the packing busi-

ness and any one of the businesses that he mentioned, that is, that fresh meat is a highly perishable product and must be sold in a few days, whereas the other products are staple and can be put in stock and kept for six months or one year. This one distinction makes all the difference in the world and that is evidently something that Chairman Colver either has not, or would not grasp.

When a perishable product must be sold in a few days, then the price that can be obtained for that product depends primarily upon the law of supply and demand, that is, the amount of similar meat on the market, whether a glut or a scarcity, and the demand at that particular time. This demand is influenced by a dozen different causes, over which the packers have absolutely no control. That demand may switch over night through weather conditions. It is lamentable that this big question was not studied from a constructive viewpoint. But if this honorable committee will spend one or two days in New York City seeing fresh meat sold in these branch house markets, you will readily understand that fresh meat is not sold like shoes, or automobiles, or machinery, or cotton or woolen textiles.

If the Federal Trade Commission is wrong on this big fundamental principle underlying the marketing of fresh meats, then no favorable consideration whatever can be given to this bill prepared at the direction of Chairman Colver, because it is the bill of the commission.

How can the producer look at this view of the situation? What can he think will become of the market for his live stock if the Government starts out on a policy of putting fresh meat in a car and shipping it to the eastern markets on the theory that it will sell itself like shoes and woollens?

And yet Chairman Colver, before this honorable committee, stated that the President under this bill would no doubt consult the Federal Trade Commission in its operation and enforcement. What can the producer think is to become of his industry if the fresh meats are to be sold under the direction of men so obviously ignorant of the business? It is to the interest of the producer and of the industry as a whole that this business should be run by practical business men and not by impractical theorists. To any one who understands the packing business this one statement of Chairman Colver's is sufficient to nullify and destroy everything that he has said with reference to this bill, because he starts out with a false premise on the marketing end of the business.

This one bit of evidence is in itself one mighty argument against Government ownership, because it gives an inkling of the kind of inefficiency that will be in the saddle if this bill becomes a law.

Chairman Colver, on January 8, before this honorable committee, stated positively that "there were 34 stockyards in this country completely in the control of the five big packers," and then placed the Chicago yards as one of the 34.

Then he further stated:

The commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift, and probably Morris, were parties to the negotiations by which Armour acquired his interests, but it has not been possible to prove Swift and Morris ownership, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for the stock. (See p. 322, Official Report.)

Then the list of these stockyards is inserted, with a notation practically in accordance with the above quotation, and the Chicago yards, with \$8,000,000 capital stock, is put in the list as being controlled by the packers in order to make up the 52.7 per cent of the capital stock.

But Mr. Colver, when asked whether it was "not a reasonable assumption then that they (the packers) owned the warrants for stock in the Chicago yards," had the nerve to answer, "Yes; but up to now we have not brought assumptions before this committee and we have not brought suspicions here."

Mr. SANDERS. That is what I am getting at.

Mr. COLVER. And we have not even brought conclusions.

(See pp. 381-382.)

There is absolutely nothing in this entire report but high-sounding adjectives, assumptions, and suspicions, most of which are positively false. But Mr. Sanders followed this matter up a little further and asked:

Have you put the other packers under oath, say, Swift & Co., Cudahy, and Wilson? If you suspicion them owning the stock, why not have them summoned sworn, and asked either to admit or deny it?

Mr. COLVER. Because this does not seem to be so important a matter—the ownership or percentage of ownership or whether or not there is ownership in those Chicago stock yards does not seem to be an essential thing in view of the fact that common ownership has been shown before you came in in 32 other cases.

This answer to the effect that this was not "important" or "essential" is simply astounding, unbelievable, in view of the many very sensational and startling reports given out by the commission on this very subject, to create prejudice and passion against the packers. But the question had put him in a hole, and the only answer he could think of for the moment was that it was not "important" or "essential." Yet this one matter served as headlines in the public press for some time, and a strong effort was made to create in the public mind the belief that there was something criminal about Mr. Armour's holdings in the Chicago yards. When he reads this answer in cold type, I should think that Chairman Colver would feel somewhat embarrassed, and especially as he had the effrontery to say a few moments before that the commission was not bringing before the committee either "assumptions" or "suspicions" or even "conclusions."

Then Mr. Sanders further asked:

If you wanted to find out who owned the warrants, why did you not summon the men as to whom the suspicions pointed and question them, under oath, as to whether they owned them. You stated you made every effort to find the ownership of these warrants as the most direct method of finding the ownership of the stock.

Mr. COLVER. Assuming that we had wanted or had felt that we had the time and that it was essential and necessary to run down further this stock warrant ownership, of course, we might have followed your suggestion.

So far as time is concerned, it would have taken about 30 minutes to have interrogated the president of Swift, Morris, Cudahy, and Wilson on this subject. The Federal Trade Commission knew the truth and knew that these companies did not have any interest in the Chicago yards, and that is why the commission did not call them. And I submit in all candor that the explanation of Chairman Colver

on this subject shows the unfair attitude of the commission toward the packers generally and the utter unreliability of its report.

In the statement showing the holdings of the five big packers in these various yards, on page 324 of the official report, Armour is represented as owning \$2,900 of the par value of the stock in the Kansas City yards, when the fact is, and the commission must have known it, that this stock is owned by Mrs. Jane Livingston Armour, a widow, in New York City, and who has absolutely no interest whatever in the packing business. And this is merely a sample of the unfair tactics and bitter partisanship of this Federal Trade Commission in handling this great question that is so close to all of the people. It shows the utter unreliability of the whole report. Yet Mr. Colver, in appearing before the committee, would say that he has no prejudice against big business, and that he does not want to introduce either "assumptions" or "suspicious" or even "conclusions."

The statement made by Chairman Colver before this honorable committee that equipment had been written up 15 per cent between 1902 and 1917 is not true, so far as Morris & Co. is concerned.

THE SMALL PACKER.

The sensational report of the Federal Trade Commission charges, unqualifiedly, that "the competitors of these five concerns are at their mercy." As the Federal Trade Commission desired to create the impression with the people generally that these five packers were reaching out for world monopoly of meat food products, it realized that this charge could not be sustained unless it was at least asserted that so-called independent packers had either been driven out of business or were at the mercy of the five big packers. Accordingly in the summary to the President, on July 3, 1918, the Commission says:

Some independent packers exist by sufferance of the five, and a few hardy ones have survived in real competition. Around such few of these as remain the lines are drawing in.

This unfounded and false charge is sent broadcast over the world, for the purpose of creating a deep and lasting prejudice against the packers, regardless of the harm done to business and labor generally. It is part of the program of the people handling this propaganda, and the people's money to the extent of \$250,000, at least, was used for this sort of thing.

Now, the fact is that when this investigation was started, the Federal Trade Commission called on all of the small packers, so-called independents, and tried to secure evidence of unfair competition on the part of the five big packers. Then some of these smaller packers were requested by the Federal Trade Commission to appear before this committee and testify on behalf of this bill. Some of them have appeared. You know what they said. They were all strenuously opposed to this bill, because they realize that if enacted into law it will be the death knell of the industry as a whole. But what did they say? That is the important thing, because they are supposed to be the real victims of this alleged monopoly.

Mr. W. R. Sinclair, of Indianapolis, connected with Kingan & Co., appeared before you, and told you that Kingan's turnover last year

amounted to \$63,000,000. This does not look very much as if "the lines are drawing in." He said that his company killed between a million and a million two hundred and fifty thousand hogs, and about one hundred and fifty thousand cattle last year.

But the important thing is that he told you, unqualifiedly, that there was active and actual competition, both in the purchase of the live meat animal and in the sale of fresh meat, and that while the five big packers were active and actual competitors, their competition was fair. How did this testimony of Mr. Sinclair and the other small packers sound in connection with the very bitter charges made against the big packers?

I will not take the time to repeat even the substance of the testimony of these smaller packers, but as the testimony of Mr. Sinclair is characteristic of the testimony of them all, I will take the liberty of referring briefly to the more important parts of his testimony, because what he and the other small packers say should have great, if not absolutely controlling, influence both on this committee and the public mind on the great question as to whether there is competition in the purchase of the live animal and in the sale of fresh meats, and also as to the policy involved in this proposed bill.

Let us first consider the purchase of the live animal, because the direct and specific charge of the Federal Trade Commission is that the five big packers have an illegal agreement to buy on a fixed and definite percentage. If I were to tell you that the live animal is bought under the old law of supply and demand, and that the interest of the five big packers in the various stockyards does not affect the prices paid for the live animals in these yards, you might doubt it, especially in view of the very bitter and vitriolic charges by the Federal Trade Commission. But what does Mr. Sinclair, a supposed victim of this alleged monopoly, say?

MR. HAMILTON. In your experience, who fixes the prices to be paid from day to day in these stockyards?

MR. SINCLAIR. I think the value of live stock is established by the demand there is for the product of the live stock.

MR. HAMILTON. You mean the law of supply and demand governs?

MR. SINCLAIR. As far as we know, absolutely.

MR. HAMILTON. Well, if you wanted stock pretty badly, you could not get it if the five big packers did not want you to get it, could you?

MR. SINCLAIR. It depends on who is willing to pay the most for it. I think the fellow that will pay the highest price will get it.

MR. HAMILTON. Theoretically, yes; that is the good old-fashioned notion about competition.

MR. SINCLAIR. I think you will find that in practice, too. We do. We do that absolutely. (See pp. 826-827.)

Again Mr. Sinclair said, "We think there are free competitive conditions in both the buying and selling of our product." (See p. 879.)

Then Mr. Esch, in order to ascertain whether the interest of the packers in the stockyards had anything to do with fixing the prices of the live meat animal, asked the following:

MR. ESCH. You found in the various buying markets where you buy, full play for competitive conditions?

MR. SINCLAIR. Yes; we have.

MR. ESCH. You have been an active competitor of the big five, notwithstanding their agreement as to percentages on purchase of stock?

MR. SINCLAIR. Yes; we have been active competitors and we have found them active competitors.

Mr. ESCH. And, when they dominate a stockyard, have you found it difficult, or impossible, to get your share of the stock that is offered for sale on the market?

Mr. SINCLAIR. We have never had any difficulty in buying what stock we wanted on any market, provided the price was right and we were willing to pay it.

Mr. ESCH. Have you found that the percentage of increase on the purchase of stock in the primary markets has interfered with your purchases of stock?

Mr. SINCLAIR. No.

Mr. ESCH. Have the methods used by the big packers of "splitting shipments," the practicing of wiring on, as it is called, or any of those practices, interfered with your getting your supply on any of these primary markets?

Mr. SINCLAIR. No; we had never heard of them until we saw them in the Federal Trade Commission's reports.

But, in view of the statement that the five big packers dominate and control the primary markets all of the time, it is interesting to note that Mr. Sinclair testified that, "a great part of the year the market for livestock is made by the eastern shipper rather than by the western packer." (See p. 890.)

Then, when we turn to the sale of the finished product, we find that Mr. Sinclair testified as follows:

As regards the selling of our finished product, it is all sold under active, and, what we consider, competitive conditions." (See p. 781.)

Mr. HAMILTON. You undersell your competitors?

Mr. SINCLAIR. That depends, I think, again, on the law of supply and demand. If we are liberally supplied with fresh meats, and have got to move them, we will naturally make a lower price on them than we would otherwise.

But this committee also interrogated Mr. Sinclair as to the methods of competition of the five big packers:

Mr. WINSLOW. You are regarded as what is known as an independent corporation, your packing houses?

Mr. SINCLAIR. Yes, sir.

Mr. WINSLOW. As such do you feel in the conduct of your business any pressure of what you would call an undesirable or illegitimate character from any combination of packers or any packer in this country?

Mr. SINCLAIR. We do not.

Mr. WINSLOW. You are quite willing to paddle your own canoe, and you are glad to do it?

Mr. SINCLAIR. We are. (See p. 839.)

As to the refrigerator car, the testimony of Mr. Sinclair was not only interesting but instructive. He said:

It is a question of maintaining the supply from day to day. We must have cars this morning to ship our fresh meat that we have prepared, because it will not keep. Fresh meats are not frozen; they are only chilled, and if they are not shipped out when they are ready to be shipped out, or if there is any delay along the line, the meat goes stale. The business is being done in a very close way in that respect. There is not much time to lose. (See p. 807.)

He further said:

These cars must be kept spotlessly clean to insure the product arriving sweet and in good condition. To do this it is necessary for them to be scalded and scoured for each trip. It is, therefore, not feasible to load them with other class of merchandise, which the railroads, if they owned them, would be required to do. * * *

The managing and operation of them is so closely related to the distribution of the perishable products that their operation is now an integral part of the business. (See pp. 787-788.)

He also stated that his company operated its refrigerator cars last year at a loss of \$46,000, and that the cars had a very high deprecia-

tion percentage, because of the dampness rotting the wood material and rusting the metal. He said that the ice and salt deteriorated the car very quickly; also that the Government would have to have departments both to look after and repair the cars.

On the question of profits and branch houses, Mr. Sinclair said:

The margin upon which the business is conducted is so narrow that the successful operation of the branch house depends on keeping as large a volume as possible passing through it (p. 786). * * * We do not know of any other industry of the magnitude of the packing industry which is operated on so narrow a margin. (See p. 790.)

I have taken the liberty of quoting thus freely from the testimony of Mr. Sinclair, which is purely characteristic of the testimony of all the smaller packers, because you should be willing to accept the testimony of these men who are "hanging on by their eyelashes," as the Federal Trade Commission would have you believe. How could you listen to the testimony of these disinterested men, alleged victims of this world monopoly, and not feel thoroughly convinced that this investigation by the Federal Trade Commission was made for a purpose. If this report is false on this very material point, how can it be relied upon in any particular whatever? I say that the testimony of these smaller packers destroys the report and the recommendations of the Federal Trade Commission absolutely and forever.

NO SHOWING REQUIRING ANY LEGISLATION AGAINST THE PACKERS.

It is not conceivable that this bill, in its present vicious and dangerous form, will ever be favorably reported by this committee, or enacted into law. But while we do not favor Government ownership, you may have some feeling against the packers, which would be only natural in view of the sensational charges made against them by a branch of our Government. The Federal Trade Commission has had so much in a damaging way to say against the packers that there may be a disposition in certain quarters to amend this bill, or introduce a bill along other lines, feeling that there should be anti-packer legislation of some sort. If I may be permitted to say so, that would be a very grave injustice. There has been absolutely no showing whatever that would justify any such legislation at this time against the packers.

What are the pertinent facts in this situation? The packers are to-day paying the highest prices for live stock in the history of the world, which forever negatives the idea of an illegal combination in the purchase of live stock. The five big packers have more competition in the packing business to-day than ever before and the small packers are growing rapidly, which proves that the big packers are not a monopoly and are not crushing out competitors by unfair methods. The report of the commission shows that the other packers are not only growing, but are in a prosperous condition. The profits of the five big packers are entirely reasonable, which refutes every charge of monopoly and illegal combination that can be made against them, because if they constituted a monopoly that fact would necessarily be reflected in their profits. They have performed, and are still performing, a great service for this country and the allies.

There has been no fair and intelligent investigation of either the production of the raw material or the sale of the finished product, that could be the basis for big, broad constructive legislation. Con-

sequently, there should be no disposition to pass some law, simply to have it said that the packers were legislated against. I say the packers stand before the American people with clean hands. They are entitled to praise instead of condemnation. In that connection I demand fair play, no more and no less.

But there is, unfortunately, more involved in this proposition than merely that of fair play to the packer. The welfare and the interest of the whole people are wrapped up in this issue. The packing industry has been a political football for these many years. We have remained silent through years of abuse and misrepresentation. When we come up to the proposition that one branch of our Government advocates a measure that would strike down this industry, it is time that we should make an effort to have the people understand the truth and justice of this situation.

We have one illustration in this country of what agitation and misrepresentation will do. We now have the railroads on our hands with an enormous incumbrance which the people in the end must pay. It is probably the consensus of opinion that the people and the Government must now be fair to the railroads and that it is in the interest of the people generally that they should be fairly treated. But it would have been infinitely better if that attitude had been reached sooner. An so it may be with this packing industry. We now have a pretty heavy load to carry. Our cost of labor and supplies is practically twice what it was before the war. If prejudice and passion are to have full sway, and this industry is to be legislated against along the lines proposed, then, it is safe to predict that before the people of this country get the railroad question thoroughly settled they will have the packing industry to straighten out also. What business can survive constant and continual investigation, trials and condemnations by a branch of the Government?

In that connection, it might not be amiss to pause and reflect on the great power to do wrong and injustice which the Federal Trade Commission has under the law, if there should be any disposition on its part to use that power. The power to examine all private books and records was given to the Commission on the theory that it was to guide and assist business, not to crush and destroy it. If the Federal Trade Commission should deliberately set out to injure a certain industry, it has tremendous, if not unlimited power at its command. The report of any branch of our Government should be entitled to the respect and confidence of all the people, which only tends to increase the power of any branch of the Government to do wrong. I want to say, with all the force at my command, that sufficient has developed as to the methods of the Federal Trade Commission in connection with its investigation of the packers to make it highly inadvisable to base any legislation upon any recommendation of that Commission.

It is not merely a matter of fairness to the packers, but it is a matter of public interest. This is no time for "Bolshevism" in this country, and I insist that no showing whatever has been made that would justify any punitive legislation against the packers.

CERTAIN POINTS.

1. *Constitutionality*.—I do not raise the question of the constitutionality of this bill, because its terms are so unwise, so radical, and so

destructive that I can not conceive that the bill will ever be enacted into law, and because I am so sure of our ground and the justice of our cause that we prefer to come before Congress and go to the American people on the broad merits of the proposition.

2. *Mileage of big and small packers' refrigerator cars.*—It is contended on the part of the Federal Trade Commission that the big packers' cars average about 84 miles per day while the small packers' cars average much less. It has been suggested here that the efficiency of the big packers in keeping after their cars constantly will account for this to some extent, but there is another and bigger reason, which constitutes a very good explanation for this difference: whatever the difference may be, and that is that a vast majority of the refrigerator cars of the big packers go from the packing plants in the West to the seaboard and generally in trains, and, of course, these move very quickly, whereas, probably the majority of the refrigerator cars of the small packers are used in car route service, and these cars naturally and necessarily go to small towns, have stops and move much more slowly and set out on side tracks where they cannot be handled expeditiously. This is necessarily at the base of this whole matter, because Cudahy, who has no plant east of the Mississippi River, has the highest mileage of any of the big packers.

Another thing: When the small packers' cars do go to the Eastern markets they are not shipped to their own people, who receive, unload, and return them promptly, as our cars are returned, but they go to wholesalers and jobbers, who are not interested in getting the cars back to the packing plants.

3. *Amount of profit in feeding cattle.*—This question has been asked by members of this committee. Of course, I can not say whether the proper economies are used in the production and feeding of meat animals, or not, because no investigation whatever has been made of that subject. I have always thought that it would be helpful, not only to the industry as a whole, but particularly to the producer, to ascertain whether some changes and improvements might not be made in that direction. But I do want to state this fact, that Morris & Co. during the last two years have fed about 10,000 cattle each year, and our profits have been between \$40 and \$50 per head. Accordingly, it stands to reason that if the proper economies were practiced by the producer, his profits would be about the same, and yet the profits of Morris & Co., as packers, including all by-products and outside lines and the profits from the feeder cattle, are only 83 cents per head. Our profits of nearly \$500,000 per year on these cattle went into and constitute a part of the profits of Morris & Co. in constituting the percentage of profit which I have given you.

4. *Total slaughter.*—Certain other gentlemen who have appeared before you have been asked for the total slaughter of their respective companies. The total slaughter of Morris & Co. for our last fiscal year was: Cattle, 1,372,222, which cost us \$184,720,878.15; calves, 259,160, which cost us \$5,291,252.82; hogs, 2,485,412, which cost us \$101,355,651.06; sheep, 944,140, which cost us \$11,117,733.04. In other words, during the last fiscal year Morris & Co. slaughtered 5,060,934 head of cattle, calves, hogs and sheep, which cost a total sum of \$252,485,515.07.

5. *Wool growers' resolution.*—In this connection I would like to read into the record as a part of my statement a resolution adopted

by the Wyoming Wool Growers' Association in convention at Lander, Wyo., on January 11, 1919, as follows:

Therefore, be it resolved, That we request our representatives in Congress to use their influence in securing the immediate return of the management of the railroads to the owners.

Further, be it resolved, That we request our representatives in Congress to oppose all legislation proposing Government control or ownership of marketing facilities of live stock and meat products.

6. War profits.—Permit me to call your attention to the fact that we have now a very large supply of meats purchased at the high point, and if the prices go down, as they certainly will in time, these products will be sold at a loss. Morris & Co. has an average inventory of 100,000,000 pounds. If the market should go down only one cent a pound, this would represent a loss of \$1,000,000. Consequently, this situation must make it very plain to this committee that, in fact, the profits of the packers during the war, about which there has been so much said, are really paper profits, and the chances are more than equal that they will be wiped out during the next few years; that is, when the price of this product declines. In any event, **I want the committee to appreciate and understand the precarious situation of the packers when all of this hurtful propaganda against the packers is being given out at this time in this country.**

CONCLUSION.

In conclusion I want to say just as positively as the English language will permit, that Morris & Co. is not in any illegal agreement to control the price to be paid for live stock by having a fixed and definite percentage of the buy, or in any other manner whatever, and that the fresh meats are sold on the open market, and that the profits of Morris & Co. are as I have given them.

I trust the committee, at this point, will indulge a little personal reference. My grandfather, Mr. Nelson Morris, entered business at the Chicago yards on a capital of 50 cents. When he died, and for many years before, he was the largest cattle feeder in the world, feeding at one time 60,000 head of cattle, and always selling them in the Chicago market to the highest bidder. He had the utmost confidence and respect of all live stock men. In this regard, I would follow in his footsteps. He was never appealed to in vain to buy a bunch of cattle, not wanted by the other buyers in the yards, and he often paid more than they were actually worth and when they could not well be handled in the plant. I venture the assertion that the feeders and shippers of the country generally will confirm this. And I want the stock men to know that I want to have, and deserve, their confidence and respect. There should be complete co-operation and good feeling between us. I also want the consumer to get a square deal. That is all I want.

A great deal has been said and written in this country about equality of opportunity. I would have that same opportunity which my grandfather had preserved for the young men of to-day and of the future. That is of infinitely more importance to this country than the entire packing industry, for if that opportunity is preserved, the packing industry, or any other industry for that matter, would be built up again, even if stricken down. But if personal

initiative, incentive, and ambition are stricken down, then nothing will be rebuilt, and we will enter upon an era of retrogression, when this country should go forward by leaps and bounds for many, many years to come.

I want to express my appreciation for the very great honor of the privilege of appearing before this honorable committee, and I want to thank you for the very great kindness and courtesy which you have accorded me. And if you will permit me to say so, I hope that in this matter you will reach the conclusion that in the end will result in the greatest good to the greatest number.

Gentlemen of the committee, having implicit faith in the justice of our cause, it is with complete confidence that I leave our case in your hands. All that we want is a square deal.

The CHAIRMAN. Mr. Esch, you can conduct the examination.

Mr. DILLON. Mr. Chairman, I would like to know whether the committee will be able to get through with the examination this afternoon?

The CHAIRMAN. We do not know how long we will take.

Mr. DILLON. I would like to conduct my examination out of order if it is agreeable to the other members of the committee.

The CHAIRMAN. After Mr. Esch questions the witness you may examine him, if there is no objection.

Mr. ESCH. Mr. Morris, on page 10 of your statement you give the profits of Morris & Co. for the fiscal year ending November 2, 1918, as 7.24 per cent on the total capital invested, including borrowed money, and 9.39 per cent on the money invested by Morris & Co. in the business, and then you go on and say that although you did a much larger business in 1918 than in 1917, your profits were \$1,000,000 less than in 1917.

Mr. MORRIS. That is correct.

Mr. ESCH. In 1917 your business was not under the supervision of the Food Administration?

Mr. MORRIS. No, sir; it was not.

Mr. ESCH. But it was in 1918?

Mr. MORRIS. In 1918 it was.

Mr. ESCH. What is your fiscal year?

Mr. MORRIS. About November 1. We have to close on Saturday, the nearest Saturday we can to November 1.

Mr. ESCH. Then your statement of November 2, 1918, is your fiscal year?

Mr. MORRIS. Fiscal year.

Mr. ESCH. Then, practically all of 1918 you were operating under the license system?

Mr. MORRIS. Our fiscal year happened to start on the very day the Food Commission took control.

Mr. ESCH. So that this fiscal year of yours corresponds with one year of Federal control?

Mr. MORRIS. Identically.

Mr. ESCH. What was your arrangement with that branch of the Government with reference to the amount you should get?

Mr. MORRIS. We were allowed not to make in excess of 9 per cent on the total amount of money invested in the business, including borrowed money.

Mr. ESCH. That would include the original investment and surplus that was turned into capital account, and also your bonded indebtedness and your outstanding notes?

Mr. MORRIS. Our current borrowing, yes; and there is also a provision for not over 2 per cent of our turnover, or $2\frac{1}{2}$ per cent.

Mr. ESCH. I am not referring to the turnover. That would be 9 per cent on how much money?

Mr. MORRIS. You see, that regulation covered just one class of our business. That was the distinctly food product. I would be very glad to get you the figures, but I could not offhand analyze the statement and tell you what part of them was in the food products.

Mr. ESCH. If you will put that into the record at this place we will be obliged to you. That would be 9 per cent on borrowed capital, you say?

Mr. MORRIS. Yes, sir.

Mr. ESCH. About how much of your money, from which you are allowed the 5 per cent, would be used in that portion of your business upon which the 9 per cent was allowed?

Mr. MORRIS. The biggest end of our business came under the 9 per cent ruling.

Mr. ESCH. About what percentage of it?

Mr. MORRIS. That would be somewhat of a guess. I should say about two-thirds, though.

Mr. ESCH. You were allowed 9 per cent upon bonded indebtedness?

Mr. MORRIS. Yes, sir.

Mr. ESCH. How many bonds have you got out?

Mr. MORRIS. I have our statement here that I would like to refer to.

Mr. ESCH. I think you had better have that incorporated in the minutes. I think the other packers have introduced their statements, and we would like to get it from your company also.

Mr. MORRIS. I will have it inserted.

Our bonded indebtedness at the end of the year was \$10,700,000.

Mr. ESCH. What was your short-time paper?

Mr. MORRIS. Nearly thirty-two million dollars. Of course, that is not our average during the year. That is when the statement was taken at the end of the year.

Mr. ESCH. Do you know the average?

Mr. MORRIS. No; it will be somewhat higher than that.

Mr. ESCH. More than thirty-two million?

Mr. MORRIS. Yes.

Mr. ESCH. And your bonded indebtedness was how much?

Mr. MORRIS. We retired two hundred thousand a year, so there is practically no difference.

Mr. ESCH. Your bonded indebtedness would be—

Mr. MORRIS. I suppose ten million eight hundred thousand.

Mr. ESCH. And the thirty-two million would make \$43,000,000?

Mr. MORRIS. Yes.

Mr. ESCH. And you say two-thirds of your investment upon which 9 per cent is allowed is engaged in the meat industry. That is two thirds of one hundred and forty-two million would represent the amount upon which the 9 per cent is allowed?

Mr. MORRIS. Yes, that two-thirds is just a guess.

Mr. ESCH. I understand. You are allowed, then, 9 per cent upon two-thirds of forty-two million.

Mr. MORRIS. It runs somewhat higher on account of our bills payable averaging higher. We are also allowed on our capital and surplus.

Mr. ESCH. Exactly, but I am not dealing with that now. What rate did you have to pay on your bonds?

Mr. MORRIS. The bonds are four and a half bonds. They were sold many years ago and were not sold anywhere near par. Just where they were sold I do not know. At the present time they are worth in the eighties.

Mr. ESCH. But the charge on your treasury would remain the same, at $4\frac{1}{2}$ per cent?

Mr. MORRIS. Except we lost our discount at the time we sold.

Mr. ESCH. But they still would be $4\frac{1}{2}$ per cent?

Mr. MORRIS. I think we would have to consider that loss of discount. If we are keeping bonds out at $4\frac{1}{2}$ per cent you would have to consider the discount divided over a period of years.

Mr. ESCH. The $4\frac{1}{2}$ per cent is charged against the face value, is it not?

Mr. MORRIS. Yes; against bonds at 100, and on each \$100 we pay four and a half interest a year.

Mr. ESCH. And you were allowed by the Food Administration 9 per cent?

Mr. MORRIS. Yes, sir.

Mr. ESCH. So that would be instead of $4\frac{1}{2}$ per cent on the average?

Mr. MORRIS. On what we were paying that year, not including the loss of our discount, whatever that amounted to. The bonds probably cost 5 per cent.

Mr. ESCH. You were given 4 per cent?

Mr. MORRIS. Approximately.

Mr. ESCH. About your short-time paper. You say you had thirty-two million. What is the average you were paying for that?

Mr. MORRIS. Last year money was very high. I suppose it averaged 6 or maybe $6\frac{1}{2}$ per cent.

Mr. ESCH. So the difference between what you paid and the 9 per cent would be to your advantage?

Mr. MORRIS. Yes. They also made the provision that we were allowed to figure in that difference between what we paid on short-time money and 5 per cent.

Mr. ESCH. But even so you would get more than the cost of the bonds by being allowed 9 per cent?

Mr. MORRIS. Yes, sir.

Mr. ESCH. And under that arrangement you made \$1,000,000 less than you did the preceding year?

Mr. MORRIS. In our total business, which includes the three classes.

Mr. ESCH. And is it right to say that two-thirds of a million would represent your shortage in profits?

Mr. MORRIS. No; I think it would be a great deal more than that.

Mr. ESCH. We unfortunately had a poor year in that particular branch of the business.

Mr. ESCH. Leaving that subject matter, your statement is to the effect that your grandfather was a cattle feeder originally?

Mr. MORRIS. Yes, sir.

Mr. ESCH. Did he enter the packing industry early?

Mr. MORRIS. He entered it when he was a boy, practically.

Mr. ESCH. So that he was both a packer and a feeder?

Mr. MORRIS. Yes, sir.

Mr. ESCH. And that has continued all the way through?

Mr. MORRIS. Up to this year we have fed around 10,000 cattle a year. At one time grandpa fed as many as 60,000 cattle.

Mr. ESCH. But you still are in the feeding business?

Mr. MORRIS. This year we have only 5,000 on feed, but up to this year we had about 10,000.

Mr. ESCH. Are you the only large packer that is also a feeder?

Mr. MORRIS. I am not in a position to answer that. I understand some of the western packers feed cattle.

Mr. ESCH. I mean the large five.

Mr. MORRIS. Some of the large packers have houses out West. Whether they feed cattle out there or not I do not know.

Mr. ESCH. Where do you feed your stock?

Mr. MORRIS. At Peoria, Ill.

Mr. ESCH. Mostly hogs?

Mr. MORRIS. No; all cattle.

Mr. ESCH. Do you make a profit on the feeding business?

Mr. MORRIS. The last few years it has been the profitable end of our business, in proportion to the volume.

Mr. ESCH. It has been a profitable part of it?

Mr. MORRIS. Yes. You see, last year we slaughtered about 5,000,000 head of cattle, hogs, calves, and sheep, and we made about \$4,200,000, which made about 89 cents a head, and that included everything. That included even this money we made on feeding cattle, which was very close to half a million dollars on ten thousand, so on these cattle we made \$40 to \$50 a head, and on the other stock which we slaughtered, including by-products and side lines, etc., we only made 89 cents a head.

Mr. ESCH. But still you found it a profitable line of industry?

Mr. MORRIS. Which?

Mr. ESCH. The feeding business?

Mr. MORRIS. Yes; if it makes \$40 or \$50 a head I do not know of anything I would rather be in.

Mr. ESCH. Does the fact that you are a feeder as well as a packer bring you in sharp competition with the outside producers?

Mr. MORRIS. No; we only feed about 10,000 head of cattle, and we would kill that many in Chicago alone in a week, so it would only in comparison be a drop in the bucket.

Mr. ESCH. You slaughtered over a million head of cattle last year?

Mr. MORRIS. Yes; I think 1,300,000, but the records will give it.

Mr. ESCH. I think that is all.

The CHAIRMAN. Mr. Dillon, I suppose we had better let you proceed out of order.

Mr. DILLON. I only have two or three questions, if the committee will permit me.

The CHAIRMAN. Go ahead.

Mr. DILLON. Mr. Morris, I understand your position is that there is no combination, either by a gentleman's agreement or by contract, in any way fixing the price that you pay for live stock upon the market?

Mr. MORRIS. Absolutely, Mr. Dillon.

Mr. DILLON. As proof of that, you claim that these markets seek a level by competition. Am I right about that?

Mr. MORRIS. Either up or down, according to supply and demand.

Mr. DILLON. I want to call your attention now to a condition that exists in my own communities in the country, where insurance rates are the same. Would you say that competition had made them the same?

Mr. MORRIS. Unfortunately I am not very well posted on insurance.

Mr. DILLON. That does not require any special knowledge. You are claiming that competition makes a straight line or a leveling process in the buying of stock by competition.

Mr. MORRIS. I do not follow you there, Mr. Dillon.

(The stenographer repeated the question.)

Mr. MORRIS. You mean in the price of stock, or the amount of stock?

Mr. DILLON. I mean in buying stock upon the market, the price of it.

Mr. MORRIS. If we bought our cattle any cheaper than anyone else it would not take—I mean people in general—it would not take very long to have all the cattle business, and if we bought very much higher than anyone else it would not take very long to put us out of business. We have a pretty narrow margin to operate on.

Mr. DILLON. If I understand the position of the packers, it is that it proves competition by showing competition has made a straight line fixing the market price of cattle that is bought upon the market.

Mr. MORRIS. Mr. Dillon, on each bunch of cattle the different buyers' judgment is different, and that is what makes the market.

Mr. DILLON. You saw the statement of the Federal Trade Commission, in which they present a chart or a map showing that the purchases of Morris & Co., and the other packers run on the basis of a percentage throughout the year?

Mr. MORRIS. Yes.

Mr. DILLON. You saw that?

Mr. MORRIS. Yes, sir.

Mr. DILLON. That would tend to show there was a combination or there was a uniformity in those figures, would it not?

Mr. MORRIS. In my report here, which I have not had an opportunity to read, I have given a great many places where the buy is not the way the Federal Trade Commission says at all. As far as Morris & Co. are concerned, I would like to state our position in regard to that. We are going to do all this business we can do profitably, and if we can help it we are not going to let any business get away from us. If some year a packer did a bigger proportion of business I would feel that Morris & Co. was slipping. If we had a bigger per cent of business, I would feel that we were doing well.

Mr. DILLON. I wish you would answer this question, if you can, by yes or no. Why is it that there is a uniformity of percentage running through the whole year, as shown by the Federal Trade Commission, in the purchase of live stock?

Mr. MORRIS. I can only answer that in regard to Morris & Co. We try to keep buying more stuff all the time that we can buy profitably, and if we are on the market next year we try to buy the bigger

part of the buy than we did the previous year. Of course, if we do not, it is because competition is so strong that we can not.

Mr. DILLON. But why does that carry through the whole year that same percentage?

Mr. MORRIS. Of course, my report shows a great many cases where it does not. Where it does, it is simply because we are unable to profitably buy more than that or we would. I am anxious to see Morris & Co. the biggest one of these packing houses.

Mr. DILLON. You are insisting all through these markets year by year that you have your portion of the live stock?

Mr. MORRIS. No, sir; I am not.

Mr. DILLON. That is, your share?

Mr. MORRIS. No, sir; I am not. I am insisting that if I can profitably do it I will buy as big a part of the live stock this year, or a little bit bigger if I can, than I did last year.

Mr. DILLON. You do that in order that you may have your share of business and not be crowded out, do you not?

Mr. MORRIS. I am doing that so I can hold my place in the trade or do a bigger part of the trade.

Mr. DILLON. Suppose you can not get that, what are you going to do—are you going to fight?

Mr. MORRIS. I can buy any amount of cattle if I pay enough for them, and if I pay enough for them it will not take very long to go out of business.

Mr. DILLON. So you insist that you have your share; and if you do not, you bid a little more?

Mr. MORRIS. I insist that I try to buy all the cattle I profitably can at any point, and I would feel pretty badly if our business was on the decrease rather than the increase at any point. I would think there was something the matter with our buyers or with the house, or something else, because if other people could buy them and make out on them I would want to know why we were not as efficient as they were.

Mr. DILLON. I will put my question in another form. Do you think these figures shown upon these charts and maps have a tendency to show competition, or do they have a tendency to show that there is a gentleman's agreement of some kind?

Mr. MORRIS. You are asking for my personal opinion?

Mr. DILLON. Yes.

Mr. MORRIS. I do not think it shows very much of anything.

Mr. DILLON. How do you explain that strange coincidence of a certain percentage running all through the year?

Mr. MORRIS. Because those percentages vary, more or less, as I say in my report, and the fact that our firm's policy is to buy just as much as we did the year before, and more, too, if we possibly can.

Mr. DILLON. Let me take the other side of the proposition. Suppose that there is not any market for the stock that reaches a certain market. You do not want it. What do you do with reference to it? Do you sustain the market or run off and leave that market?

Mr. MORRIS. That depends on conditions. In general I would say that we probably would sustain the market.

Mr. DILLON. Why do you sustain the market?

Mr. MORRIS. We have got packing houses that have about so much overhead expense. It is our object to operate our packing houses

as near as possible to capacity. Volume is most everything in the packing business. If we could operate our packing houses all the year round to the limit of their capacity we could do business cheaper than we do now. Very often we buy cattle when there is a loss on the face of things, and conditions are such that we can not buy them cheaper, but there is less loss in buying and losing on that than in shutting up the packing house. We can not shut up the packing house.

Mr. DILLON. Do you feel impelled at all times to sustain that market so that the market may not have to shut down?

Mr. MORRIS. The packing house would be put out of business if the market would shut down.

Mr. DILLON. So your policy is to sustain that market?

Mr. MORRIS. Yes, sir.

Mr. DILLON. Even if you buy at a loss?

Mr. MORRIS. We have to very often, Judge Dillon.

Mr. DILLON. Here is a market—say we take our own market where my people market, at Sioux City. Now, you are impelled to sustain that market?

Mr. MORRIS. We are not at Sioux City.

Mr. DILLON. Then we will move down to Omaha.

Mr. MORRIS. We have a plant at Omaha.

Mr. DILLON. You must help sustain that market, although you are doing so at a loss. Here is a market at Omaha, and you feel impelled to sustain that market, and you are overstocked; you do not want any stock, because you know if you get it it will be at a loss. Why do you sustain that market when you know it is a loss to you to buy at that time?

Mr. MORRIS. We are kind of between the devil and the deep sea. If we do not buy stock we shut down the packing house and have a loss, and as a general proposition it is cheaper to buy at a loss and keep the packing house going. I notice in the Federal Trade Commission's report that they mention very specifically that our percentage in Omaha of hogs is 15 per cent of the total bought by the five packers. As a matter of fact, we bought over 18 per cent of the hogs last year.

Mr. DILLON. That does not reach the point that is troubling me. Will you tell me how this percentage runs through these same figures during the period when the market has fluctuated, and why you buy on the same percentage during that time?

Mr. MORRIS. When there is a profit in the business, we run to the capacity of our house; we try to run to the capacity of our house.

Mr. DILLON. I am assuming that your house is full and that you do not want a head. Why are you forced to keep on that market when you do not want to get any more cattle?

Mr. MORRIS. If we did not we would have to shut down our house. If we shut down our house we have practically the same overhead. We would save some labor, because that is paid by the day, but we would have to build up our gangs again. We would lose efficiency. We have pretty near the same organization in the packing house whether we operate or do not operate, and we have to continue to operate.

Mr. DILLON. Assuming the statement to be correct that I find that you are sustaining that market, do you buy as little as you can or do you buy your percentage?

Mr. MORRIS. No, sir; if the business is too unprofitable we buy as little as we can to keep operating.

Mr. DILLON. Suppose the other packers do the same thing?

Mr. MORRIS. Then you have a lower market for live stock.

Mr. DILLON. Would you not have to shut down if they did the same thing?

Mr. MORRIS. I know our firm can use the capacity of our house if they are bought on a basis where we think there is a profit in them.

Mr. DILLON. I am assuming that your house is full.

Mr. MORRIS. You see, Judge Dillon, all our beef moves out within three or four days of the time we put it in. We can always ship it East and we can always sell beef. It is a question as to what price we can sell it for, but there is always a market for beef at some price. It may not be the price the producers want to get, but if we make it low enough we can sell the beef.

Mr. DILLON. So that according to that there would be a violent fluctuation at certain times of the year. We do not find that in the maps and charts presented here by the Commerce Commission.

Mr. MORRIS. I believe I have covered that very fully in my report.

Mr. DILLON. Of course that would answer the question if there was no violent fluctuation.

Mr. MORRIS. Are you talking about fluctuation in volume or price?

Mr. DILLON. I am talking about both.

Mr. MORRIS. I am sorry to say sometimes there is a violent fluctuation of prices.

Mr. DILLON. How is it you determine how much you are to buy and how much the other four packers are to buy when none of you want the stock and when you are sustaining the market?

Mr. MORRIS. We determine this way: We figure how much less we can get along with economically to operate our plant. You know, at the present time, we guarantee all our men 40 hours a week. We figure whether there is a bigger loss in paying them for work they do not do, or buying the beef and standing a loss on the beef. We can not regulate what our competitors buy; all we regulate is what Morris & Co. buy.

Mr. DILLON. How do you arrive at the price when you are sustaining the market and when you know it is a loss to you to do it?

Mr. MORRIS. We do it as cheaply as we can, but there is a loss in each case.

Mr. DILLON. How do you arrive at the percentage of sustaining that loss?

Mr. MORRIS. There is not any percentage in sustaining the loss. We buy as little as we can get along on. We can not regulate, and do not regulate, in any way what our competitors buy. All we can regulate is what our buyers buy.

Mr. DILLON. But you take all the supply at that market?

Mr. MORRIS. Not necessarily. We will take the supply if we can see a profit in it, up to the capacity of our house. Otherwise we won't.

Mr. DILLON. Do you not sustain the prices in all these places where the Big Five operate?

Mr. MORRIS. No; very often there is stock held over. This morning I noticed from Saturday there were 22,000 hogs carried over in Chicago.

Mr. DILLON. Suppose that condition remains constantly, you would not be sustaining that market, would you?

Mr. MORRIS. I should think we would, to the extent that we buy.

Mr. DILLON. Yes; but the other packers state that they sustain the market when they do not need the meat or the live stock.

Mr. MORRIS. We simply have the choice between the two—shutting down our packing house and paying men for work they do not do, and our overhead running the same, or else buying the stuff at a loss. When there is a loss we try to buy lower, and if it gets low enough we can ship it East and come out on it.

Mr. DILLON. And that shows a big variance through the year?

Mr. MORRIS. The price we get?

Mr. DILLON. Yes.

Mr. MORRIS. Yes, sir.

Mr. DILLON. These charts and maps produced by the Federal Trade Commission show there is no variation at all from one month to another.

Mr. MORRIS. I believe I have covered that very fully in my statement.

Mr. DILLON. If you clear that up you will clear up one of the hard questions in this evidence.

Mr. MORRIS. I believe, as far as Morris & Co. is concerned, you will find we are buying according to what our trade requirements are, trying to increase our volume if we can do it on a profitable basis. Volume is no good if there is no profit in it.

Mr. DILLON. That is all.

Mr. MONTAGUE. Is your packing concern relatively third in size of the five big packers?

Mr. MORRIS. Yes, sir.

Mr. MONTAGUE. Swift & Co. said that last year their profit was 2 $\frac{1}{10}$ per cent.

Mr. MORRIS. On the turnover.

Mr. MONTAGUE. What is yours?

Mr. MORRIS. I can not give our profit last year offhand. Our profits over five years have been 1 $\frac{1}{2}$ per cent. Last year we had a very good year, and it will run somewhat more than that, but not a great deal. I would be glad to get that for you and make it part of the record.

Mr. MONTAGUE. Your profits on the turnover or other profits you stated here, the profit on investments or capital stock, are your figures controverted by the Federal Trade Commission or do they correspond?

Mr. MORRIS. They made statements down here that do not check with our figures. They took our profits without checking off taxes. I know that is Government accounting, but the only way I can figure profit is to take out what is left after paying taxes, and our profit for last year was \$4,217,000, as after all, taxes are taken off.

Mr. MONTAGUE. Have you any foreign plant?

Mr. MORRIS. Yes, sir.

Mr. MONTAGUE. Where, Argentine?

Mr. MORRIS. We have a plant in Argentine and one in Uruguay and a very small plant up in Paraguay.

Mr. MONTAGUE. Any in Australia?

Mr. MORRIS. No, none whatsoever.

Mr. MONTAGUE. Is your business chiefly the cattle business or the hog business?

Mr. MORRIS. Both.

Mr. MONTAGUE. Which is the major portion of the business, hogs or cattle?

Mr. MORRIS. Last year we killed about 1,300,000 cattle and something over 2,000,000 hogs. Of course, the cattle are so much heavier I suppose in volume our cattle business would be larger.

Mr. MONTAGUE. Just for information to one who knows very little about the cattle business, you state that your grandfather was a cattle feeder?

Mr. MORRIS. As well as a packer.

Mr. MONTAGUE. And that particular form of your business has been carried on down to your time?

Mr. MORRIS. Yes, sir.

Mr. MONTAGUE. What do you mean by cattle feeder?

Mr. MORRIS. We buy cattle on the open Chicago market and send them down to Peoria and feed them down there.

Mr. MONTAGUE. That is, you buy cattle and fatten them?

Mr. MORRIS. Fatten them and ship them back and sell them.

Mr. MONTAGUE. You ship them back and slaughter them?

Mr. MORRIS. A great many of them we sell on the open market.

Mr. MONTAGUE. That is all I desire to ask.

The CHAIRMAN. Mr. Hamilton.

Mr. HAMILTON. I do not believe I care to ask any questions now, Mr. Chairman.

The CHAIRMAN. Mr. Parker?

Mr. PARKER. No questions.

Mr. HAMILTON. I might ask one question. When you buy cattle to feed, do you buy anywhere else except on the Chicago stockyards?

Mr. MORRIS. Yes, we have bought a very small per cent in that way, a good many in South Dakota, some in North Dakota; we bought them in Sioux City and Omaha and Kansas City and St. Joe and St. Paul; wherever we think we can buy them the cheapest. About 90 per cent of them we bought in the open market at whichever city we happened to buy.

Mr. HAMILTON. You have no cattle on the ranges, have you?

Mr. MORRIS. Unfortunately we have some down in Mexico, or at least the last I heard of we had.

Mr. HAMILTON. Did you have a ranch over in Chihuahua?

Mr. MORRIS. Yes.

Mr. HAMILTON. Have you been having some trouble about them?

Mr. MORRIS. Yes; we have had a rather unfortunate experience with them.

Mr. HAMILTON. You have lost a good many cattle?

Mr. MORRIS. I presume we have. Our chief difficulty is not with the cattle that are branded, and all the cattle in that country are branded. The rebels down there—I can not keep track of which side they are—they kill whatever they want to eat, but that is not so bad; we can stand that. They can not ship in to America because

they have the brand on them, and no matter what market it goes to, they allow us to get the profit. But they have not branded our calves, and they will not let our men go over there to brand them at all.

Mr. HAMILTON. That is, they take your calves and put their brands on them and drive them over the line and sell them for their own?

Mr. MORRIS. I expect thousands of them have been brought over that way.

Mr. HAMILTON. They use Columbus as the port of entry, did they not, a little west of El Paso?

Mr. MORRIS. I do not really know. I think cattle have probably been taken across the line, and unfortunately our ranch is right over the line. It is right along the river there.

Mr. HAMILTON. How old are these cattle when you transfer them to Peoria to be fed?

Mr. MORRIS. We bought our ranch just before the Mexican trouble started, and it has not got a very good breed of cattle on it. There is a lot of Mexican cattle there, like these old Texas cattle used to be, they are principally horns. You can pick them up and carry them away almost. Our object was to breed them up and to buy the best bulls we could, but we have not been able to operate, and those cattle would not be fit to feed.

Mr. MONTAGUE. From your standpoint they are not feeders?

Mr. MORRIS. No, they would not do for our feeding. My grandfather had a ranch in Texas, and at times we fed some of the cattle there.

Mr. MONTAGUE. Have you a ranch in Texas now?

Mr. MORRIS. No. We had a big ranch at Midland, Tex., but after my grandfather died it belonged to the estate and was sold.

Mr. MONTAGUE. How much land have you in your ranch in Mexico?

Mr. MORRIS. A million and a quarter acres.

Mr. MONTAGUE. Do you just feed them on the grass?

Mr. MORRIS. That is all, but of course now they are taking care of themselves; we can not get our men over there.

Mr. MONTAGUE. What sort of grass is it?

Mr. MORRIS. I believe it is very similar to the Texas grass. We got into this trouble just after we bought the property.

Mr. MONTAGUE. Is it anything like the blue grass of Kentucky?

Mr. MORRIS. Oh, no, not anything as good as that, I am afraid.

The CHAIRMAN. Mr. Decker?

Mr. DECKER. No questions.

The CHAIRMAN. Judge Parker?

Mr. PARKER. No questions.

The CHAIRMAN. Mr. Winslow?

Mr. WINSLOW. I would like to ask Mr. Morris if up to this time he has made any statement about the profit, as far as he knows, made by the producers and feeders.

Mr. MORRIS. I am not posted on what individual producers have done in the way of profit. I believe in a general way that they have been in a very prosperous condition. We feed cattle, and I know what our profits have been on cattle that we fed.

Mr. WINSLOW. It seems to me it is up to this inquiry to learn a little about that, in view of the fact that the producers and feeders have appeared, claiming that they have more or less injustice meted

out to them in the process of the development of the meat business. Would you mind giving your experience with respect to profits from producing

Mr. MORRIS. We have fed practically 10,000 cattle last year, and also the year before, and we made between \$40 and \$50 a head on the cattle we fed; that is, each animal.

Mr. MONTAGUE. You are trying now to get what the producers have been making?

Mr. WINSLOW. They are the only people who have come in here in favor of this bill, and they put it on the ground, as I understand it, that somewhere or another in the mixup they were not getting their share, and if things were regulated so and so they might get their share. It seems to me that the fellow who is raising the fog ought to be investigated, and this is the first witness who had admitted that he knows anything about a profit of feeding cattle or producing cattle, and I want to push that through to a finish, if we can.

Mr. MONTAGUE. I do not mean to interrupt you.

Mr. WINSLOW. Speaking broadly, I do not suppose you are equipped with a very finely detailed statement of the percentages of profit of the feeding business, but so far as you know I would like to have you give us an idea of what percentage that \$40 or \$50 would indicate on the capital invested and the operation of it?

Mr. MORRIS. Our business down there shows this: We bought our feeders a year ago this fall. We have got some we are feeding now, but of course we do not know how we are coming out on them until we sell them; but a year ago we bought feeders and they were around a thousand pounds, roughly speaking, and they cost around 11 cents a pound. This is just from memory; this was over a year ago. That would make them cost \$110 coming in. Then we have the expense of the feed on them and the overhead expenses of the labor, and they made enough to absorb the labor and the feed and everything else, and made \$40 or \$50 a head, besides a feed that lasted probably on the average seven or eight months.

Mr. WINSLOW. What would be the profit on the gross cost of these cattle?

Mr. MORRIS. Twenty or twenty-five per cent. I should be very glad to submit those figures if we have them.

Mr. WINSLOW. I wish you would; but in order to be as fair as we can, to the producers, let us take the lower amount of profit, say, 20 per cent. On the production of meat, by the time it comes on my table the producing end of the business has taken in 20 per cent for its part?

Mr. MORRIS. Of course, you understand we buy those cattle when they weigh a thousand pounds. What the profit or the loss on the cattle over a thousand pounds is I can only guess, because I have no figures to tell me.

Mr. WINSLOW. Of course, we will not get anywhere unless we get the cost of the cattle on the one hand and the selling price on the other. Have you any definite idea with respect to those two items?

Mr. MORRIS. Just in a general way. I believe the cattle industry, except in a few points where weather conditions have been bad, has been very profitable in the last few years. I have a number of friends who have done very well, and have not hesitated to say so at all.

Mr. WINSLOW. Let us get a little more concrete than that. Suppose you had a going business in the production of cattle, as you have in the packing business, and that you did your business efficiently, kept your inventories of property on hand and the implements you used, and right through kept a proper, commercial inventory and expenses account and had your assets and liabilities properly lined up, and your business was still going and had been going, what would you say would be your net profits on the investment of your 10,000 head?

Mr. MORRIS. I think it would have been at least 25 per cent.

Mr. WINSLOW. Then 25 per cent would seem to be pretty fair for an income. Is that more than perhaps it would average for the 10 years previous to that time?

Mr. MORRIS. Yes, sir, it is, but the business as a whole has been a profitable business for us.

Mr. WINSLOW. Say for 10 years back; would you have any judgment that you would want to hazard as to the average for the 10 years preceding last year?

Mr. MORRIS. We were a little unfortunate during that period. We had a couple of men running our business who were not as honest as they ought to be, but even in spite of what they got out of it we made some money out of it. The last two years were the best we had, but, as a whole, we find it a very profitable business.

Mr. WINSLOW. But the disappearance of those two men with your funds would not affect your earnings? You simply lost the money, but you earned as much, nevertheless?

Mr. MORRIS. They affected our earnings considerably.

Mr. WINSLOW. They did not attend to business?

Mr. MORRIS. No; they bought their stuff from their friends, etc.

Mr. WINSLOW. Now, going to the business end as a whole and taking your own in as only a part, would you say that the producing end of the business had been reasonably profitable as compared with the ordinary line of commercial endeavor throughout the country?

Mr. MORRIS. I should say it has been.

Mr. WINSLOW. And would you say it has been more profitable per dollar invested than the packing industry?

Mr. MORRIS. Oh, by far.

Mr. WINSLOW. Have you any experience in the retail end of the business?

Mr. MORRIS. None at all.

Mr. WINSLOW. Have you any judgment that you would like to give out as to the general efficiency of the men in the producing business?

Mr. MORRIS. None at all, Mr. Winslow. I think it is possibly a little unfortunate that this investigation, which started along broad, constructive lines to investigate the whole industry, centered itself on the five packers and investigated only the five packers. They did not investigate to see whether there was an undue profit or an undue loss to the producers, or whether they were doing their work efficiently or not; also that, instead of investigating the calf from the farm to the table, they spent most of their time investigating the five largest packers.

Mr. WINSLOW. Well, we have them in reserve, perhaps, after we find out just where the packers come in. I would like to have your

judgment as to whether or not, as a going business for a period back 10 or 15 or 20 years, taking the ups and downs into consideration, the packing business has been a fair and proper business for a man to go into if he did it carefully and properly.

Mr. MORRIS. I would like to answer that by referring to a little personal history. My grandfather was in the business, my father was in the business, and I am in the business, and I have a son that I hope will be in the business, and if I did not think it was a fit business I would not want him to go into it.

Mr. WINSLOW. You mean the producing end of it?

Mr. MORRIS. No; the packing end.

Mr. WINSLOW. I did not mean that; I would like to have that applied to the producers.

Mr. MORRIS. I think the producing is a good business; I think it is a profitable business. The producer has this to contend with: He has to dispose of his stock once a year or twice a year and if he is unfortunate in selling on a bad market he does not think very well of the packer; if he sells on a good market, he does not think so badly of the packer. I think you have to take an average of the years to see if it is a good business, because a man might be unfortunate enough to break on a bad market.

Mr. WINSLOW. That is why I asked you for the figures covering 15 or 20 years.

Mr. MORRIS. I think it is a very profitable business.

Mr. WINSLOW. And if you think you can get a showdown of the profits and a statement of the conditions of the producers in the same way you packers are submitting them here, giving your returns, etc., is it your opinion that such will be demonstrated to be the case?

Mr. MORRIS. Oh, yes, I believe they will have a much more profitable business than the packer.

Mr. WINSLOW. If that is true, how do you account for the alleged animosity of the producers toward the packers?

Mr. MORRIS. In the first place, I do not believe the average producer has any animosity toward the packer. Unfortunately our friends do not holler quite as loudly as the other fellows. I think that the average producer is a very sane, sound fellow. I have got a lot of respect for them, and I believe they realize that things are running along to his own interest.

Mr. WINSLOW. How would you account for the appearance of these gentlemen who have been here, who have been undertaking to say that they are getting the short end of the whole thing?

Mr. MORRIS. They are a market committee of the American National Live Stock Association, and that is what their committee amounts to, to a very large extent.

Mr. WINSLOW. Do you think they are organized to correct the abuses they are talking about, or to get a little more?

Mr. MORRIS. I believe they are organized to get the most they possibly can for themselves. I have covered that rather fully here. The American National Live Stock Association have been collecting a fund, which I understand they have been asking their members to donate 5 cents a head on cattle for. The exact size of this fund I do not know, but if they all did that it would be a very large fund. I have heard that there is \$150,000 subscribed to this

fund. Whether there is or not, I am not in a position to say. That is left pretty much at the discretion of the market committee.

Mr. WINSLOW. Mr. Hamilton inquires as to what page of your statement you refer to.

Mr. MORRIS. It is mentioned under the heading of "Market Committee," if you will look for that.

Mr. HAMILTON. That is on page 57, market committee of the American Live Stock Association, is it not?

Mr. MORRIS. Yes, sir.

Mr. WINSLOW. I would like to know about this from the producing end of the business to the retail end. You have practically said you did not know anything about the retail end in particular.

But I would like to question you a little bit further, as to the head of a packing business: The packer gets his profits from the retailer, for the most part, does he not?

Mr. MORRIS. We also get our profits somewhat from the producer, too; I mean, in buying his stock.

Mr. WINSLOW. Well, I would like you to consider further the retailer before you get away from him, and let the other be set aside for the present. As the head of the business supplying the retail trade, you have, of course, as one of your leading considerations, the credit of that side of the trade, have you not?

Mr. MORRIS. Yes, sir.

Mr. WINSLOW. Is the credit of the retail trade as a whole a first-class credit, as compared to the retail dry goods merchant, or the boot and shoe merchant as far as you can judge it?

Mr. MORRIS. Well, the credit of the retailers, as a rule, has improved a great deal in the last few years. We have very few credit losses now, but the margin of profit is so small that we have to watch that very carefully. We are selling to them mostly for cash; most of the bills are paid within a week, and if they do not pay their bill within a week, they have a hard time getting products for the next week.

Mr. WINSLOW. Well, do those retailers and those who buy their products come and go pretty rapidly; do they disappear? Are there many changes in the trade?

Mr. MORRIS. No; I do not think so.

Mr. WINSLOW. They are pretty steady, are they?

Mr. MORRIS. I think so.

Mr. WINSLOW. As far as the repute of the retail meat business goes, is it your judgment those merchants have made, as a class, or as a rule, large fortunes?

Mr. MORRIS. In that connection, I will say that I have known very few retailers who have become wealthy men. I think most of them have made a living, and probably a pretty good living, but very few have become wealthy men.

Mr. WINSLOW. Well, do they make a living in the way of being able to accumulate property for their old age, or just enough to live on as they go along?

Mr. MORRIS. Well, a conservative retailer will have enough to last him during his old age, all right.

Mr. WINSLOW. Do you think, as a class, they will accumulate greater competencies than the average merchant in other directions?

Mr. MORRIS. No; I would say about the same.

Mr. WINSLOW. And you would not feel that they should be branded as robbers, any more than any other class of men, would you?

Mr. MORRIS. I think the unfortunate thing in the retail situation is the cost of doing business, and I think that is one thing that would be interesting if studied. The retailer makes a very large gross profit; that is, most of them do. I think that is largely because of the service that the people demand to-day. Of course, there are those cut-rate stores that sell stuff on pretty reasonable gross margins, but that stuff the consumer has to carry and pay for. I think that the fault is in the way the business is done, rather than in the profits the retailers make out of it. Do I make myself clear on that?

Mr. WINSLOW. Yes. As the business goes, with its natural wear and tear, you think they do not make large and exorbitant profits on their going business from day to day?

Mr. MORRIS. No; I think on the average, they make just a fair net profit.

Mr. WINSLOW. Now, that being the case, that the retailer makes a fair living profit, living profit, and the packer makes the same—9 per cent and 2 per cent on his turnover—there is nobody left who can skin the public on our present retail prices except the producer. I do not say he does; I say there would not be anybody else who could except the producer.

Mr. MORRIS. Oh, no; I think the retailer would be fortunate if there had been an investigation. I am giving you my opinion; of course, I am no authority on that. On my profits, of course, I am correct.

Mr. WINSLOW. Well, if you are correct in general, as to the retailer, he has not made much; and the other one you testified you think has made an entirely satisfactory profit—that is, the producer.

Mr. MORRIS. I think they have made very good profits.

Mr. WINSLOW. And you do not think he has paid very much?

Mr. MORRIS. I think they have made very good profits.

Mr. WINSLOW. Am I right, then, that your conclusion is that the public as a whole, as consumers, are not being cheated anywhere?

Mr. MORRIS. I do not believe that can be answered, because I do not think any investigation has been made of the live stock man or of the retailer. As far as the packer is concerned, I can answer it.

Mr. WINSLOW. This bill, I presume, has been brought to us with the idea that if we adopt it and put it on the statute books of the country we will be serving the people of the country.

Mr. MORRIS. I claim you would not; that it is not in the interest of the people at all. This bill would mean the destruction of the packing business, as an individually owned business, in a few years.

Mr. WINSLOW. And you claim that there is no abuse connected with the industry or the distribution of the profits?

Mr. MORRIS. I do.

Mr. WINSLOW. And if there are high prices they are merely due to the natural evolution of the trade?

Mr. MORRIS. My claim is this: We are between the producer and the consumer. The producer wants high prices for his live stock—and prices have been very high; and the consumer wants to buy his meat cheap; and we are in the middle; and it is a pretty tough job, sometimes. Last year we killed over 5,000,000 head of live stock

and Morris & Co.'s total profits were \$4,200,000. That includes by-products, and includes hogs and includes chickens, and hundreds of things. So, even including them all, we made only \$0.89, or about that amount on the 5,000,000 head of live stock to make up our \$4,200,000.

I claim the business is being operated as efficiently as it could possibly be, and a good deal more efficiently than it could be if they took our instrumentalities away; and as long as we make a reasonable profit from the producer to the consumer, I say, leave the business alone.

Mr. WINSLOW. Well, would you further say that, in your judgment, no laws could be enacted which would reduce the prices of meat to the consumer?

Mr. MORRIS. I will say this, that I have not heard any law suggested that would do it, and I do not personally know of any law, if there is any, that would make a more efficient industry. I would be glad to hear of it, but I have not heard of any so far.

Mr. WINSLOW. And you do contend that this bill would not do it?

Mr. MORRIS. It would not.

The CHAIRMAN. Mr. Sweet, have you any questions?

Mr. SWEET. Yes, Mr. Chairman.

In 1918, Mr. Morris, if I understood your statement correctly, you fed 10,000 cattle?

Mr. MORRIS. Approximately.

Mr. SWEET. And that was at Peoria, Ill.?

Mr. MORRIS. Yes, sir.

Mr. SWEET. How large a plant have you there?

Mr. MORRIS. We have no packing house at all at Peoria.

Mr. SWEET. How large a farm have you there?

Mr. MORRIS. We feed them in barns down there, and that is about the capacity of the barns.

Mr. SWEET. What are all of these barns worth, approximately?

Mr. MORRIS. I do not know about that; they are on leased property; I do not know whether we lease the barns or own the barns. It has been the same a great many years, long before I was in the business.

Mr. SWEET. What I am getting at is, what is about the value of the property that you use down there, or own down there, for feeding purposes?

Mr. MORRIS. They are just plain, wood barns, with sewers or drains in them, and also troughs for feed; and they are not very expensive. I will be glad to submit the figures. I have not them offhand; we have them at home, of course.

Mr. SWEET. Now, you said the profit was about 20 per cent or 25 per cent, you thought?

Mr. MORRIS. Yes, sir.

Mr. SWEET. Was that the net profit?

Mr. MORRIS. Yes, sir; after figuring everything.

Mr. SWEET. In figuring the net profit, did you take into consideration all the property that you have invested in connection with the feeding business there?

Mr. MORRIS. Yes, sir; and salaries of all employees that did the work.

Mr. SWEET. And these cattle that you purchase for feeders are purchased in the open market at Chicago?

Mr. MORRIS. About 90 per cent of them are purchased in the open market. We bought probably 10 per cent in the country. A part of them were bought in Chicago, and a part of them were bought in Kansas City, and part in St. Joseph, Omaha, Sioux City, and St. Paul; but about 90 per cent of them were bought on the open market.

Mr. SWEET. When you said you sold these cattle, did you sell them at the market prices, or did you simply take them into your plant and kill them?

Mr. MORRIS. We did both.

Mr. SWEET. In arriving at your 20 per cent or 25 per cent profit, how did you determine that?

Mr. MORRIS. We have an old Irishman named Terry O'Neill, who handles the feeding part of the business, and when he bought the cattle he had to sell them to our head buyer, Leo Hess; and if they could not agree on the price of the cattle, the cattle were put on the open market and sold to whoever wanted to buy them. And Terry O'Neill was anxious for his feeding operations to show as large a profit as possible, as his salary and his future depend on his making a good showing. And on the other hand, the buyer who bought the cattle wanted to buy as cheaply as he could, as all of the results show on margins, so that we can tell at the end of the week which of the buyers did the best; and naturally each buyer is anxious to make as good a showing as he can in buying from Terry O'Neill. And I imagine, therefore, that those cattle were priced absolutely on the market, as near as two experts' judgment could make it.

Mr. SWEET. Yes. Leaving that subject, what salary do you receive as president of Morris & Co.?

Mr. MORRIS. I receive \$70,000 a year.

Mr. SWEET. What other salaries do the officers and directors of the company receive?

Mr. MORRIS. None of the directors draw a salary for being a director. The officers all draw salaries.

Mr. SWEET. How many refrigerator cars do you own?

Mr. MORRIS. About 3,000.

Mr. SWEET. Has that been profitable or unprofitable?

Mr. MORRIS. It has been very unprofitable; unfortunately, we had to buy a lot more a year or so ago, which we had to pay a tremendous price for. We knew they would be unprofitable, but if we are going to operate the packing houses, and if we are going to buy these cattle as they come in, and make a market for the producer, we have to have enough cars to keep our beef going East. You see, that beef is not frozen; it is just chilled beef; and if we have three or four days' supply on hand that is all we could hold in Chicago—three or four days' killings.

Mr. SWEET. That is all.

The CHAIRMAN. There is a yea and nay vote in the House, and a call of no quorum, on the hospital bill. Some of the members of the committee want to vote on that, and we can either take a recess or adjourn now.

Mr. HAMILTON. I want to ask Mr. Morris two or three questions before we go, Mr. Chairman.

The CHAIRMAN. All right, you may go ahead, Mr. Hamilton.

Mr. HAMILTON. Mr. Morris, what are you feeding your cattle down there at Peoria?

Mr. MORRIS. Formerly we fed them distillery slop.

Mr. HAMILTON. You do not feed them that now?

Mr. MORRIS. No; we are feeding them grain this year. When I say we fed them distillery slop, I mean that which came from making alcohol.

Mr. HAMILTON. You are feeding grain now, you say. That means corn, does it?

Mr. MORRIS. Corn, cottonseed hulls, and whatever looks the cheapest to us.

Mr. HAMILTON. Well, corn has been very high the last year.

Mr. MORRIS. Yes; corn has been very high. The distillery slop is ordinarily figured corn values—that is, not board of trade corn, but corn at Peoria. So when corn goes up, our distillery slop is on the same basis, and goes up proportionately.

Mr. HAMILTON. When you feed corn, is it ground, or fed on the ear?

Mr. MORRIS. This is the first year that we have ever fed corn to our cattle down there, and I have not been down there this year; I have been there only when we were feeding distillery slop; I have not been there this year.

Mr. HAMILTON. You do not know in what form it is fed to the cattle?

Mr. MORRIS. No, I do not.

Mr. HAMILTON. Do you know what you paid for corn?

Mr. MORRIS. We bought it on the market as we went along.

Mr. HAMILTON. It must have cost more than 75 cents.

Mr. MORRIS. I think it cost more than that; I think our first feedings cost us \$1.50. When I left Chicago it was \$1.20; I have not watched the figures since then.

Mr. HAMILTON. Notwithstanding the big price for feed, you have been making a profit, have you not?

Mr. MORRIS. Yes, sir; I do not know what it would be this year; in the past it has been good, and I expect it to be good this year.

Mr. HAMILTON. One of the favorable conditions in the feeding business has been the fact that you could sell your feeders at a price not lower than 75½ cents a pound, has it not?

Mr. MORRIS. No; this is all feed cattle; there is no fixed price on feeding cattle at all; it is simply hogs. Our feeders have simply been sold for what they were worth on the market.

Mr. HAMILTON. How many cattle are you feeding now?

Mr. MORRIS. Five thousand.

Mr. HAMILTON. Why is it that you are feeding only 5,000 this year when you fed 10,000 last year?

Mr. MORRIS. Because we could not get the distillery slop this year. We are new in the business on feeding corn. My grandfather fed corn; but we have not done it. We do not know what our business will be on it, until we have fed a year and have a record.

Mr. HAMILTON. I see; and you are experimenting this year on 5,000, instead of 10,000 cattle?

Mr. MORRIS. When we started the year we expected to have distillery slop for 5,000 cattle, from the manufacture of the alcohol that

they would export to Europe. However, after we got the 5,000 cattle, we found that we could not get the distillery slop.

Mr. DECKER. Is the majority of the stock of Morris & Co. owned by your family?

Mr. MORRIS. It is all owned by heirs of my grandfather's estate, and my father's estate.

(Thereupon, at 4.20 p. m., the committee adjourned until Tuesday, January 28, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Tuesday, January 28, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. EDWARD MORRIS, PRESIDENT OF MORRIS & CO., CHICAGO, ILL.—Resumed.

The CHAIRMAN. The committee will come to order.

Mr. SNOOK. Mr. Morris, I did not have the pleasure of being here yesterday afternoon when you were testifying, but I want to ask you one or two questions.

Mr. MORRIS. Yes, sir.

Mr. SNOOK. Have you anything to suggest in the way of legislation which should be passed by Congress that in your opinion would be of benefit to the packer situation?

Mr. MORRIS. At the present time, we are between the producers and the consumers. Our five years average has been $1\frac{1}{2}$ per cent on sales. We killed about 5,000,000 head of live stock last year and made a little over \$4,000,000. Therefore, including all the side lines, we made 89 cents a head. Our business, I believe, is handled efficiently, very efficiently, in fact, and I do not believe any business can exist on any smaller profit than that profit. I believe we are simply the middleman between the producer and the consumer, and as long as our profits are fair and we have efficiency, I believe we are doing as much good as we can to the community. Now, I have not heard anything suggested that would work out practically, in the way of legislation. I personally do not know of any that would work out satisfactorily. If there is any suggested, I would be glad to discuss it, but I do not believe, personally, there is any.

Mr. SNOOK. I am asking you if you have anything to suggest.

Mr. MORRIS. No, sir.

Mr. SNOOK. That is, if there is anything you can think of in the way of legislation that would benefit the situation.

Mr. MORRIS. I do not think there is. I think the profits are as small as possible, and the work is done efficiently. If we pay high prices for live stock meat has got to be high, and vice versa.

Mr. SNOOK. This question was asked one of the packers the other day by one of the members of the committee. I think it was asked of Mr. Swift, if he could explain why it was that there was a distrust on the part of the producers against the packers of the country,

and then I asked Mr. Swift if that might not be due to the very fact that the five large companies have grown to such size as to cause distrust. Do you think there is anything in that?

Mr. MORRIS. The packers are large. I believe that is to the advantage of both the producers and the consumer. I do not believe the distrust on the part of the producers is as great as you think it is. I believe the average——

Mr. SNOOK (interposing). I have not said it is, but that is the question that was asked.

Mr. MORRIS. Let me change that a little. I do not believe the distrust on the part of the producers is as bad as generally believed. but I believe the fellows who do distrust holler a little louder than the other fellows. The fellows who are perfectly satisfied stay at home, and the rest of the fellows who are dissatisfied come down to Washington. The Federal Trade Commission has made very vicious attacks on the packers and has published them, and the packing business, unfortunately, has been more or less of a political football for years. Now, that does not help the feeling in general at all.

Mr. SNOOK. You think it is not a general feeling, but a feeling on the part of some.

Mr. MORRIS. I think they are a small part of the producers, but I think they are heard a good deal more than the fellows who are satisfied.

Mr. SNOOK. That is all I have to ask.

Mr. DOREMUS. Mr. Morris, on page 131 of your printed statement, you make some observations regarding the railroads. You state:

We have one illustration in this country of what agitation and misrepresentation will do. We now have the railroads on our hands with an enormous encumbrance which the people in the end must pay.

I do not know whether I construe those statements correctly or not, but I was wondering whether you attribute the taking over of the railroads to a campaign of misrepresentation.

Mr. MORRIS. No; I am not a railroad man, and I am not here to state whether Government ownership is a proper thing for railroads or not, but I do think they are in an awful manner. I think they were in awful bad shape before they were taken over. I believe that possibly the way they were kicked around before that had something to do with it.

Mr. DOREMUS. So you do not mean by that language that the taking over of the railroads was due to any campaign of misrepresentation or to any agitation, as you put it?

Mr. MORRIS. No, sir; I do not.

Mr. DOREMUS. And you are not criticising the taking over of the railroads by the Government at the time they were taken over?

Mr. MORRIS. No; I am just trying to make the point that the railroads are in quite a mess at the present time. I do not know how it is coming out. I hope it is coming out all right, but I do not want the packing business to get in that situation, because it is not in the interest of the producer or the consumer either.

Mr. DOREMUS. I suppose you would admit that the railroads were in a condition which justified their taking over at the time they were taken over.

Mr. MORRIS. I would not like to express an opinion on that. They were in bad shape at that time.

Mr. DOREMUS. They had practically broken down under private ownership.

Mr. MORRIS. I presume they had.

Mr. DOREMUS. And they were taken over as a war measure.

Mr. MORRIS. Yes, sir.

Mr. STEPHENS. Mr. Morris, do you agree with Mr. Swift in the position he took the other day that in his judgment it would be advisable to have some sort of a governmental agency composed of representatives of the producers, packers or distributors and the consumers, for the purpose of fixing a price upon the staple meat products, as for example, I refer to the Food Administration agreement with packers and producers in fixing the price on pork.

Mr. MORRIS. The Food Administration has fixed the price on live hogs. They have not fixed the price on meat. Meat, especially beef, is a perishable product. I do not believe it is physically possible to fix a price on fresh meat. When we ship our beef east we have to sell it and sell it promptly, at the best price we can get for it. If the supply is right and the demand is good, we get good price for it, and if it is the other way we get a poor price for it. There is practically no sale for frozen meat in this country. It is a very perishable product, the most perishable product you can imagine. I do not believe it is practical to fix a price on fresh meat.

Mr. STEPHENS. You think it is practicable, though, to fix a price upon salted meat or pork?

Mr. MORRIS. I do not believe that could be done in the long run. At the present time the Food Administration have, coming through them, large orders from the Allies. America is supplying the Allies because it is the closest country and because we happen to be fortunate enough to have most of the pork there is in the world. Now, when things get back to normal conditions, the Allies are going to buy their stuff wherever they can buy it the cheapest. Now, they can say to the Allies—they are in a good deal better position to dictate terms than they will be in normal times.

Mr. STEPHENS. Of course, I assume that when you sell your meat to the consumer, the price you get for it bears a reasonable relation to the cost of the product.

Mr. MORRIS. At times it does, and at other times there are big losses in it. It is not uncommon at all. This morning on my way down here, I stopped at our branch house in Washington, and the beef which they happened to be selling to-day is showing a very bad loss compared with the original cost. Of course, we have this advantage over the feeder, if we lose money this week we may make money next week, and our results show our average. A good many feeders market their product either once a year or twice a year, and for that reason I believe that for the feeder to determine whether feeding is profitable or not, they have to take a term of years, because the feeder may be unfortunate enough to get in on a bad market and then not have any product to bring in on a good market.

Mr. STEPHENS. But he would hardly live long enough to work out the average, because I know of one feeder in my country who fed steers 35 years, and at the end of the 35 years he broke even half the

time. Life is too short for us to depend upon such uncertainties of a gambler's market for our beef production.

Mr. MORRIS (interposing). Did he figure his hogs behind his steers.

Mr. STEPHENS. I presume he figured that in the long run it was advantageous for him to feed cattle on account of consuming his roughage and the material that he could not otherwise market.

Mr. MORRIS. It does that, and it also helps the farm.

Mr. STEPHENS. Yes.

Mr. MORRIS. You will notice that the farms that are valuable and the farms that improve in value, are the farms on which they carry live stock.

Mr. STEPHENS. Do you believe it would be to the interest of all concerned if we could work out some sort of a plan whereby there could be a greater stability of the market for live stock, and do you see anything in this law, or in this proposed legislation, that is calculated to do that?

Mr. MORRIS. I do not believe the proposed legislation would do that. I think it would be a wonderfully fine thing, not only for the producer and consumer, but also for the packer, if that could be worked out. However, I have not heard anything suggested to date that would work it out.

Mr. STEPHENS. The producer is the only factor in this scheme from production to the consumer who has not an opportunity to protect himself in some degree; and it seems to me that it is as much to the interest of the packers as it is to the producers and consumers that some sort of plan be worked out whereby the producer with greater security can enter into this business of producing meat animals. I think it is up to you men who are in the business to help solve this problem and find the proper way. Have you any suggestion at all?

Mr. MORRIS. I think there can be closer cooperation among the packer and the producer, and I think there should be, and our firm has tried to establish closer relations. During the last few years I have been at a great many of the cattle conventions. I know a good many cattle men and hog men personally. We are trying to work closer to them. If there was some way of making the run more stable—I mean, not have a glut one week and a shortage the next week—that would help to a large extent.

Mr. STEPHENS. Are not the packers to blame for that?

Mr. MORRIS. No, sir; they are not.

Mr. STEPHENS. I noticed in one of Mr. Swift's statements—and I regret I did not ask him the question when he was on the stand—in one of his publications that higher prices were paid on the days of a glut than on the other days, and he quoted some journal, either a stock journal or an agricultural bulletin to that effect, and that was used as a defense, because it was charged by the producers that a glut was encouraged in order that the prices might be beaten down. Is your opinion in harmony with that, that the price is higher on the days of a glut than otherwise?

Mr. MORRIS. I have not seen figures on that. I would not think that was so.

Mr. STEPHENS. I would not think so, either.

Mr. MORRIS. I might say also that if cattle are lower on a glut, that means a glut to the eastern markets on our beef and it also means

that beef is lower. It is not to the advantage of the packers to have too large shipments east. I mean that that means a glutted condition in the eastern market and it means we are selling our beef on a glutted market, which means lower prices.

Mr. STEPHENS. Now, Mr. Morris, there has been a great deal of testimony here in regard to competition. Of course, I think we all believe there is competition, but whether that competition makes prices higher or lower is another question. Now, this is true, is it not, that if Omaha bid higher for beef—that is, if your Omaha buyer bids higher for beef than your Sioux City buyers—you would ruin your Sioux City market and vice versa.

Mr. MORRIS. In that connection, we are not interested in Sioux City.

Mr. STEPHENS. I am assuming that the five packers are, you understand, and the point I wanted to make is that these markets must be equalized and the price must be approximately the same, otherwise you would break up some of them and they would have to go out of business.

Mr. MORRIS. If some market, especially a smaller market, is too low compared with another market, with the shipping cost figured in, they will not get the live stock.

Mr. STEPHENS. Certainly not, and as a matter of self defense you have got to have the prices comparatively the same. While you do not agree on the prices, it is common sense that you would have to have the price approximately the same, would you not?

Mr. MORRIS. If the market is low at any point, we try to buy all the cattle and hogs we can at that point. I presume other people, according to good business, would do the same thing. They will not stay low very long.

Mr. STEPHENS. So that results in the leveling of the prices between all of these markets?

Mr. MORRIS. At the end of the year there will be comparatively little difference in the average of the market when you consider the difference in railroad transportation, railroad freight rates, and so forth.

Mr. STEPHENS. And that same principle prevails among the buyers of the packers.

Mr. MORRIS. And it also prevails among the country buyers on feeders or anything else.

Mr. STEPHENS. Yes; you have got to strike about an average that will enable them all to stay in the business or else the poor buyers or those who worked at a disadvantage, would all go out of business.

Mr. MORRIS. I presume that is so, also in regard to coal, salt, or any other commodity we could name. If there are some people who can market their stuff cheaper than the rest the rest will have to get down to that basis or they will not be able to sell it.

Mr. STEPHENS. In connection with the proposed legislation, will that competition be increased any provided the stockyards are transferred to the carriers?

Mr. MORRIS. No, sir.

Mr. STEPHENS. And if it were increased, would it help the producer any? Would not these prices all level up exactly the same, whether there was one more packer or less on a yard.

Mr. MORRIS. I believe, personally, that the packer has been a big help to the live stock man in this way; that he has gone out nearer the points of production and started small stockyards. I believe it is to the advantage of the live stock man to have us do so. I do not believe any one outside of the packers would do it, and I think the packers support these small markets, not on a small run, but when there is a glut of stuff, and that is decidedly to the advantage of the producer.

Mr. BARKLEY. Mr. Morris, just a question or two. I notice in your printed statement a good many sentences and words have been erased; was that done by you?

Mr. MORRIS. Yes, sir; I would like to say in that connection that I have tried to keep above personalities in writing this statement, and the thing was printed in Chicago, and when I got it down here I read the thing through and at a few places personalities cropped out in the thing, and I tried to overcome that. I have tried to put this thing on its merits before this committee and leave personalities out of it.

Mr. BARKLEY. So you decided after reading it over that there were still some trace of personalities left and that you had better scratch them out.

Mr. MORRIS. Yes, sir. I wanted this to be judged on its true basis and not on the question of personalities.

The CHAIRMAN. Mr. Morris, inasmuch as Mr. Doremus has referred to the matter and you have made a statement about it, there does appear on page 131 of your printed pamphlet, which is now in the record as a part of your statement, the following:

We have one illustration in this country of what agitation and misrepresentation will do. We now have the railroads on our hands, with an enormous incumbrance which the people in the end must pay. It is probably the consensus of opinion that the people and the Government must now be fair to that railroads and that it is in the interest of the people generally that they should be fairly treated. But it would have been infinitely better if that attitude had been reached sooner.

That, of course, is made with reference to the railroads, and coming from a man like yourself who undoubtedly does have and has had vast business relations with the railroads, the public would naturally presume that you knew what you were talking about and so do I, and it seems to me like that is a very strong indictment of the Government and of the people.

Mr. MORRIS. Mr. Chairman—

The CHAIRMAN. Let me finish, please. You say "We have one illustration in this country of what agitation and misrepresentation will do." That is an indirect charge that agitation and misrepresentation brought the railroads into the condition which you in part portray, and I want to know if you know of a single case in which a receiver has been appointed for any railroad, or in which any railroad has been injured from 1886, which was before the interstate commerce act of 1887 was passed, up to the present time, where the records in the case would show or indicate that the cause of the failure of that particular railroad company was due to agitation or to the action of the Government, either State or National, or to insufficient rates. Do you know of a single receivership—and of course that means the failure of a railroad financially when it goes into the

hands of a receiver, and of course you know what that means—do you know of a single instance where any receiver of any railroad has been appointed based indirectly upon public agitation or the acts of Congress, or the acts of State legislatures, or State regulative bodies.

Mr. MORRIS. Mr. Chairman, I do not. I do not think I was a very good writer on that particular paragraph. The point I tried to make was this: I hope the railroad problem will work out all right, but at the present time it is in quite a jumble, and I do not want the packing business to get into that kind of a jumble, and I believe that constant criticism would in time put the packing houses on a good deal the same basis as the railroads. I do not believe any industry can survive constant criticism.

The CHAIRMAN. You state further:

We now have the railroads on our hands, with an enormous encumbrance which the people in the end must pay. It is probably the consensus of opinion that the people and the Government must now be fair to the railroads and that it is in the interest of the people generally that they should be fairly treated.

Now, is not that an indirect charge that the people and the Government have not been fair to the railroads and that they have not been fairly treated?

Mr. MORRIS. My point is this: Whether it is lack of efficiency or whatever the cause was, up to the time the Government took hold of the railroads, the railroads did not keep their equipment up. They claim—whether it is so or not I do not know—that they did not receive enough fares and freight, and so forth, to keep up their equipment. I believe that this country would have been a great deal better off if the efficiency of the railroads had been kept up.

The CHAIRMAN. And you then comment:

But it would have been infinitely better if that attitude had been reached sooner.

That is, an attitude of fairness. Now, I want to ask you, Mr. Morris, as a large shipper for many, many years, and your ancestors before you, whether in the use of the railroads they have not received sufficient compensation for the services they have rendered you, or whether you have received a public utility service for less than it was worth, and have been a direct beneficiary of what you here call unfairness and insufficiency of rates. If what you say is true, does not that inevitably follow?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. Now, has that been due to the fact that you were not fair to these roads and did not want them to have just compensation for the service they rendered, having been a large and direct beneficiary of the insufficient rates which you paid them?

Mr. MORRIS. Mr. Chairman, we have paid the published rates, the rates which the Interstate Commerce Commission has considered fair. We have paid the same rates that other shippers have paid. I do think it would have been better if the railroads had kept their railroad property up in shape. Just before this Government took over the railroads there was a great deal of congestion which affected our business very badly. We had stale beef coming east; I mean, beef instead of taking four or five days to come east, would

take a week or two weeks. Now, if the equipment had been in shape. I do not believe that would have been so.

The CHAIRMAN. But the fact of insufficient equipment, according to the logic of your statement, must be due to the fact that you and other shippers have not paid them sufficient freight rates to enable them to have the equipment, and therefore have been directly the cause of the condition into which they were precipitated.

Mr. MORRIS. Whether there were sufficient freight rates or not. Mr. Chairman, I believe I am a very poor person to go into that. I do not look after the railroad end of our business. I know at the present time we are paying more freight rate than we did. Of course, everything else is higher.

The CHAIRMAN. In other words, the freight rates now, while they may not be adjusted properly, are not high in proportion to the value of the property moved; that is, higher than they were when property which they moved was so much lower than now; and is it not a fair inference—I do not mean for you to justify the present railroad schedules, because I do not know enough about it to venture an opinion—but I say that a 25 per cent increase relatively, and comparable with the value of the products moved, is not higher than the freight rate that was paid when products were worth perhaps not more than half what they are now.

Mr. MORRIS. Our product has advanced in value a good deal faster than freight rates have advanced. I am told that when the Government took control it was shown that freight rates had not worked up, while almost everything else had worked up.

The CHAIRMAN. Did you or your company, or any other packer you know of, ever petition the Interstate Commerce Commission or any State commission to increase freight rates on the products you were handling; I mean, before the present war came on?

Mr. MORRIS. Not that I know of, Mr. Chairman, but I do not look after the railroad end of Morris & Co.

The CHAIRMAN. But you are looking after unfairnesses and injustices and prejudices, and if you were getting an unreasonably low rate on the shipment of your products, and if you were a direct beneficiary of this unfairness, it seems to me you would have wanted to remove it, and that it would naturally have occurred to you.

Mr. MORRIS. Mr. Chairman, we are willing to pay a fair rate for our freight, but we want to be on about the same basis that other shippers are on; I mean, relatively. It is certain we would not want our rates advanced if there was no advance in other rates.

The CHAIRMAN. No; I do not mean to petition them to increase your rates, but to increase rates generally, so that the railroads might sufficiently equip themselves and might sufficiently maintain themselves to serve the public; but having been one of the largest beneficiaries in the United States at the excessively low rates, judging by your statement here that they have been low, and that their condition was brought on them through insufficient earnings, by reason of misrepresentation and agitation, I would have thought the matter would have occurred to you earlier than it has, and that you would have done something to bring about justice to the railroads at a time when it would have prevented them from getting into this bad condition. According to your inference, and I do not know whether your inference is correct—

Mr. MORRIS (interposing). Mr. Chairman, I know this, that at certain terminals, etc., where the railroads thought they needed an advance in rates and could show that they needed an advance in rates, we did not oppose it. That I do know.

The CHAIRMAN. As Mr. Doremus brought the matter up—

Mr. MORRIS (interposing). I do not want this to be a criticism in any way of the way the Government has handled the railroads or of the way the railroads were operated.

The CHAIRMAN. I do not understand that this refers to Government operation.

Mr. MORRIS. It does not.

The CHAIRMAN. It refers to conditions prior to Government operation.

Mr. MORRIS. I am simply trying to make this one point: That the railroads at the present time are in a muddle, and I think a good deal of that muddle has been on account of agitation, etc.

The CHAIRMAN. Misrepresentation is what you state here.

Mr. MORRIS. Yes; and I do not want the packing business to get into that muddle. I know it is not in our interest, and I know it is not in the interest of the producer, and I know it is not in the interest of the consumer, and I know it is not in the interest of the country.

The CHAIRMAN. Mr. Morris, it does not seem to me that the packing industry is on all fours with the railroad business. You are not classed as a public utility and the railroads are. You can not go out and condemn a man's property and take it away from him for a packing plant, but the railroads can; and therefore, I do not think there is any probability that you can possibly ever get into the trouble which you say the railroads have gotten into for the reason that there is no public utility commission to fix a price on your products, either as a buyer of raw material or as a seller of the finished products.

Mr. MORRIS. Mr. Chairman, there is not, at the present time, and I hope there never will be. Under this bill, however, under the license law, as I read it, the agency that carried out this law could carry it out on about any basis they wanted to, and it would be very easy to put us in that shape.

The CHAIRMAN. I want to ask you, Mr. Morris, whether you agree with what has been stated by Mr. Armour and Mr. Swift—I do not mean, of course, the exact words—as to the general charge or statement or alleged fact that if the refrigerator cars or beef cars or the special facilities cars, whatever you want to call them, now being used by the packer, if they were turned over entirely to the railroads and you had to depend entirely upon the railroads to perform the service with those cars that the packers are now performing with them, whether they are big or little packers, that it would not be done as efficiently, as cleanly, and with as much regard to sanitation as it is now done by the packers who own these private cars. What is your own judgment about that from your experience?

Mr. MORRIS. I believe that if the private cars were turned over to the Railroad Administration, that at times, when we needed cars to ship our beef east, we would not have the cars, and therefore we would be unable to buy the cattle in the yards. As I said yesterday, our coolers only hold three or four days' supply of beef at our packing plants, and if we can not ship the beef promptly, the whole thing

backs up and we are unable to buy the cattle. Now, I do not believe that is in the interest of the producer, and that would also mean that we would not have the beef in the east to sell, and I do not believe that is in the interest of the consumer.

As I stated in my statement here, our cars have been operated at a loss. A year ago we had to buy a number of new cars because we were getting in a situation where our business was too big for the amount of cars we had on hand. We had to pay a very high price for those cars and we knew we would operate them at a loss, but in spite of this fact, in order to keep our coolers cleaned up, we had to buy enough equipment so as to get our Chicago beef out of the way, so we could kill other beef. Do I make myself clear on that?

The CHAIRMAN. I think so. I am not at all making any charge or any complaint of the packers, large or small, having acquired their own private facility cars or refrigerator cars, if they thought it was in the public interest, or even in their own private interest to do so. In other words, if they handle the meat more expeditiously and more cleanly and in a more sanitary manner, they in that way serve the public interest; but I did get the impression very distinctly from these other gentlemen or from one of them, and I have heard it from others, for instance, from men who are not packers, but men who are growers, that they were very much afraid that if the railroad companies took charge of this service they would not perform it as efficiently or as cleanly or in as sanitary a manner as it is now performed by those who own these cars. Now, what I want to know is where that is your judgment also?

Mr. MORRIS. That is my judgment. I do not believe they would be taken care of in as sanitary a manner. I do not believe the repairs on them would be kept up as well, and I do not believe they would make the mileage they do at the present time. The Interstate Commerce Commission made an extensive study some time ago on the question of ownership of private cars, and I have in my article here somewhere their statement on it, which bears out absolutely that privately owned cars, especially of the packers, make the best mileage and are operated the most efficiently of any rolling stock.

The CHAIRMAN. Therefore any packer who has to depend upon the cars furnished by the railroad companies at the present time can not hope to have as good service as if he owned the cars, or as good service as those packers who do own the cars?

Mr. MORRIS. I do not think he can. I think the small packers have done very well to get along as well as they have without owning cars. I do think also that the railroads, of course, favor the people who do not own cars, as against a packer who owns cars.

The CHAIRMAN. I got the impression, either from Mr. Swift or possibly from Mr. Armour, that there should be an increase of these cars; that there should be more than are now in existence, and that the Government might furnish those cars, and that in the distribution of any cars furnished by the Government in the way of an increase, preference should be given to the non-owning packer over those who do own them. I do not mean exclusive use, but a preference in the distribution of those cars. Is that substantially your view of it?

Mr. MORRIS. I think they would have to give the fellows who did not own cars the preference.

The CHAIRMAN. Do you think if the Government should buy and own these cars, and they had to be operated by the railroad companies, that the operation of those cars would be any better than the ones they now themselves own, which are performing the same service?

Mr. MORRIS. I do not see why it would be any better. It may be that if they had more cars they would organize a little better and have a little more efficiency on them, but probably there would not be very much difference.

The CHAIRMAN. I am like you, and I can not see why there would be any difference, although I am not an expert.

Mr. MORRIS. We make the owning of these cars a separate business in itself. We have a case which has a lot of boards stuck into cubby-holes, and each board has the number of a car, and we know the location of that particular car at any time. Whenever it passes a certain point we are notified of it, and if any one of those cars gets on a sidetrack we have a man to get on top of it. It is our man's business to get on top of it.

The CHAIRMAN. It seems to me almost beyond dispute, taking the testimony which has been given by the packers here, in so far as opinion and in so far as facts go, that private-car ownership, compared with railroad ownership of the same kind of cars and private operation of privately owned cars and railroad operation of railroad-owned cars, is so different, both in the expedition and cleanliness and sanitary condition of the cars, as to make it practically impossible for packers not owning cars to do business in competition with those who do own them in the same markets where the meat is sold. It seems to me that makes it almost beyond controversy.

Mr. MORRIS. They have been able to do it some way, Mr. Sims; that is, the small packers who do not own cars.

The CHAIRMAN. But it may be a diminishing business.

Mr. MORRIS. No; it is an increasing business.

The CHAIRMAN. But ought it not be a diminishing business, if it is in the interest of the public to have this service performed in the very best manner, both in expedition of delivery and in cleanliness and sanitary conditions? It is in the interest of the public health to have the service performed in that way, and perhaps the public health had better be served and the consumers served with sanitary food products, even if we have to have an absolute monopoly of the service; and what I want to get at, as near as I can, is, first, from the standpoint of private noncar owner who has to depend upon the railroad car, even though the railroads might increase their cars to have enough so far as capacity is concerned to move all the product; still, if the railroads themselves do not operate those cars as efficiently and in as cleanly and as sanitary a manner as the private car owners, the public would not patronize them and ought not to patronize them, because the public ought to buy the food products that are cleanly and are handled in a cleanly and sanitary manner. They ought to buy those products, and therefore, from the standpoint of public health, it seems to me the evidence here, as developed

by the packers, will make the use of cars, these special facility cars, furnished by the railroads grow less and less, because whenever the public know and believe they get a more healthful or whenever they know they get a more efficient service from the privately owned cars they are going to patronize them, and they ought to patronize them. It looks to me that it is absolutely compulsory and that it will have a tendency to force all parties who do a packing business to own these cars or else go out of business, if the railroads can not be forced to give as sanitary and as cleanly and as expeditious a service as the others. Now, that is a question to be considered.

Mr. BARKLEY. I just want to offer a suggestion there.

Mr. HAMILTON. Did the witness get an opportunity to answer the chairman's question?

Mr. BARKLEY. I did not understand the chairman had asked a question.

The CHAIRMAN. I was simply making a statement.

Mr. MORRIS. I would like to answer that statement if I may take the liberty, and also possibly make a suggestion.

The CHAIRMAN. Very well.

Mr. MORRIS. I would like very much to see the railroads put on more refrigerator cars. I would like to see them increased enough so that the small packers could have all the refrigerator cars they want, and also the large packers. If these cars were kept strictly in the meat service and not used for shipping fish or onions and that kind of stuff, the packers could, if necessary, take care of them themselves the same as they do their own cars now. As far as Morris & Co. are concerned, if it ever gets to the point where the railroads have enough refrigerator cars to furnish us with cars, we are not going to build cars that we know are going to lose us money; but until they do get in that shape, we want to hold on to the cars we have got.

The CHAIRMAN. In other words, in order to perform the service you are performing, you consider that they are absolutely vital to your business.

Mr. MORRIS. Absolutely.

The CHAIRMAN. And you are compelled to own private cars and operate them at a loss.

Mr. MORRIS. Yes, sir.

The CHAIRMAN. And the loss has to be made up from other revenue-producing branches of your business?

Mr. MORRIS. Yes, sir.

Mr. BARKLEY. I would like to ask Mr. Morris a question. Do you send your men out on a train of cars in addition to the regular crew of the railroads?

Mr. MORRIS. I do not believe we have any one riding any particular trains, but, for instance, if any point gets badly congested, we shoot a man out there right away, and try to get our cars out of there, and if we have any more cars coming through there, we try to switch them around by some other route so we do not hit that point.

Mr. BARKLEY. You said a while ago that if your cars got on a side track, your man got immediately on them, and I was wondering if you had a man right there on the spot, so that if a car got on a side

track and was there a day or two, you had somebody there whose business it was to hitch an engine and pull it out.

Mr. MORRIS. No; we cannot do that. The engines belong to the railroads, but we keep a man, we will say, in Buffalo, and probably several other men around, and if there is a car that has passed Buffalo and has not passed the next station in a day or two, the Buffalo man will try to find out from the railroads where it is, and what is the matter, and if he cannot get the information from the railroad he goes down and looks after it for himself.

Mr. BARKLEY. So that one of the reasons why your cars can go so much faster, on an average, than the cars of the smaller packers or the railroad's cars that the small packer is using, is because he has not either the money or the facilities for tracing that car up. If it gets side-tracked somewhere, it waits there until the railroad sees fit to move it out, whereas, if it is your car that is side-tracked, you send somebody up there to get after the railroad company and get it out.

Mr. MORRIS. I think that has something to do with it. I think there is one reason that is a bigger reason than that, and that is, our cars, the majority of them, move from our plant in Chicago and further west to the Atlantic coast. Now, that is a long run and there are no stops in between; I mean, no stops from our standpoint outside of icing, and they are moved principally in train-load lots. Now, the cars, of the small packers, as a rule, do more or less of a local business, a car route business. Now, those cars, of course, can not make the same run as the cars going to the Atlantic Coast. Our cars and our car route service do not average anywhere near the distance in mileage that other cars do. I noticed by the report that Cudahy's cars make a little better mileage than any of the packers, and I attribute that to the fact that all of their plants are west of the river, further west than Chicago, and they have a longer run. I do not believe the small packer gives his cars the same class of service that the big packer does, on an average.

The CHAIRMAN. Mr. Morris, I suppose you do admit—but of course I do not want you to admit it because I ask the question in that way—that the transportation and the movement of these cars, the movement of the freight itself, is a transportation function pure and simple. I say, is it your view that that is a transportation service?

Mr. MORRIS. I think this business should have originally been done by the railroads, but the railroads would not do it and the packers have to do it. It is an accessory to their business, and until the railroads get enough cars of their own, let the packers have what they have got.

The CHAIRMAN. It is admitted, as I remember it, in the Federal Trade Commission's statement by Mr. Colver, that this thought of putting in a refrigerator-car service was first originated by the packers and the railroads refused absolutely to do it.

Mr. MORRIS. Yes, sir.

The CHAIRMAN. And in order to get it done, the packers did it themselves, and took a chance on losing money and made a great success of it, and it was a great benefit to the public. The people

got a service that they otherwise could not have received, and the packers are entitled to the credit, even if it was from purely mercenary or selfish motives.

Mr. MORRIS. Yes, sir.

The CHAIRMAN (continuing). For at least having done that which was a benefit to the country to be done; but it was a transportation service, and evidently that was in the minds of the packers or they would not have gone to the railroads for permission to put them on after urging the railroads themselves to put them on. Now, admitting all that, is it not a reasonable inference, remembering that the railroad companies are privately owned and privately operated, but, of course, being public utilities, they are under regulation as to practices, rates, and charges and so forth, that they do not, without compulsion either of law or of public sentiment, render any nonrevenue-producing service that they can put on to somebody else. Does not your case illustrate that point? You are operating these cars at a loss, and the railroads would not do it at all when they had to install the system as a venture of their own.

Mr. MORRIS. I do not suppose they want to start in a losing business, Mr. Chairman.

The CHAIRMAN. They did not know it to be a losing business at the start any more than you did, but, naturally, they would not want to go into it now; and it does show one thing, that the railroads are not doing that which they could do, because if they were of a mind to spend the money and lose it the same as you do, they could perform this service. I do not know what the regulative bodies would say about it, but I naturally suppose the regulative bodies or the commissions of the States and the Nation would allow them a rate for that special service that would be compensatory, or at least pay them their out-of-pocket cost, but they will not do it, and they will not render the service, and I suppose the reason they do not render the service is because there is no profit in it to them but a loss.

Have you your annual statement there as to expenses, etc.? It is not printed, I believe, as a part of your printed statement.

Mr. MORRIS. I have our statement here. Shall I show it to you?

The CHAIRMAN. I would like to see it a moment, and then have it put in the record.

Mr. MORRIS. Yes.

(The statement referred to follows:)

MORRIS & COMPANY—GENERAL BALANCE SHEET.

Morris & Company, packers, in their financial report for year ending November 2nd, 1918, show net earnings of \$4,217,858.84 upon a capital investment of \$53,864,934.28, or 7.83%. This is less than 1½ cents on each dollar of sales, including by-products. Their volume of sales shows an increase of \$100,000,000, while the profit shows a decrease of over \$1,000,000. Cash in bank shows a gain of over three million dollars, while total liabilities increased slightly above this amount. This was accomplished by paying only a small portion of the earnings in dividends to their stockholders, allowing the balance to remain in the business, and also by keeping their products closely sold. They were, therefore, able to go through the year without any refinancing.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1087

	Nov. 2, 1918.	Nov. 3, 1917.
ASSETS.		
Packing-house real estate, buildings, and machinery	\$27,298,476.57	\$15,073,036.26
Branch markets, real estate, and buildings	3,886,233.12	3,411,944.74
Car equipment	5,819,337.23	3,301,159.64
Cash in banks and on hand	7,896,367.63	4,658,520.19
Inventories of products, material, and supplies	41,859,506.25	42,254,640.69
Investments, stocks, and bonds	6,146,087.84	6,298,759.47
Accounts and bills receivable	19,229,342.72	16,178,454.71
Total	112,225,351.36	91,177,515.70
LIABILITIES.		
Capital stock	3,000,000.00	3,000,000.00
Bonds	10,700,000.00	10,900,000.00
Bills payable	31,988,054.01	25,990,206.37
Accounts payable and reserve for taxes	3,434,213.93	5,184,443.43
Bond interest accrued	166,500.00	167,547.50
Reserve for depreciation, etc.	10,112,719.72	8,641,720.52
Surplus	52,823,363.70	37,293,554.88
Total	112,225,351.36	91,177,515.70

Added to surplus from appraisal of packing-house properties and car equipment as of December, 1916, \$11,612,449.98.

Income account.

	1918	1917
Income:		
Net profits on manufactures and sales	\$10,023,192.41	\$10,358,489.40
Miscellaneous earnings	634,885.89	810,588.04
	10,658,078.30	11,169,077.44
Expenditures:		
Interest on bonds	487,500.00	496,500.00
Administrative expenses	1,662,633.03	1,494,406.22
Interest on borrowed money, taxes, insurance, etc.	4,290,086.48	3,877,099.75
	6,440,219.46	5,868,005.97
Net earnings	4,217,858.84	5,301,071.47
Less dividends paid	300,000.00	150,000.00
	3,917,858.84	5,151,071.47

The officers of the company are Nelson Morris, chairman of the board; Edward Morris, president; C. M. Macfarlane, vice president and treasurer; L. H. Heymann, vice president; George R. Collett, vice president; H. A. Timmins, secretary and assistant treasurer; M. W. Borders, general counsel.

The report to the stockholders made by Edward Morris, president, was as follows:

"In the absence of the chairman of our board, Captain Nelson Morris, who is with our Army in France, I submit the following report:

"We have made a profit of \$4,217,858.84 or 7.83% on the capital invested of \$53,864,934.28, after making our usual reserves for depreciation and taxes. While our profit was about \$1,000,000 less than last year, and our volume of sales increased over \$100,000,000, our profit was less than 1½ cents on every dollar of our sales, including by-products. This profit is very small, especially considering the fact that we are handling a perishable product, and is considerably less than we have made in previous years. Although we have operated under the Federal Food Administration license, we have not made the profit which was considered fair and allowed under their rulings.

"I am pleased to report that because of the splendid cooperation of our sales managers throughout the country, we kept all of our products closely sold and our inventories, notwithstanding higher prices, showed no increase, thus enabling us to go through the year without refinancing of any kind.

"During the year dividends of \$300,000 have been paid while the balance of our earnings has been left in the business. A prominent firm of appraisers

made, as of December, 1916, a valuation of our packing-house properties and rolling stock, which on a conservative basis, showed an increase in the value of same of \$11,612,449.98, and this amount has been added to our surplus during the year. Thirty per cent of our products were used to feed the Army, Navy, and allies.

"Over sixteen hundred of our men joined the colors, and I regret to say that seven of them have made the supreme sacrifice. Some are now returning, and we are offering them their own or equally as good positions.

"We wish to thank our employes for the hearty cooperation and efficiency they have shown in handling the increased business under difficult and adverse conditions."

The CHAIRMAN. I do not want to go over something that has already been gone into, but is it or not a fact that you and your family and relatives own a majority of the stock of Morris & Co?

Mr. MORRIS. The family owns all the stock, Mr. Chairman.

The CHAIRMAN. The family owns it all?

Mr. MORRIS. Yes, sir; every share.

The CHAIRMAN. Is your stock listed and put upon the market?

Mr. MORRIS. No, sir.

The CHAIRMAN. It is what Mr. Armour calls a close corporation. Then, there is nobody but your immediate family interested in the profits or losses in this business.

Mr. MORRIS. Except, I think, it is to the public interest that the business—

The CHAIRMAN (interposing). I mean, financially, in the way of an income proposition.

Mr. MORRIS. No, sir.

The CHAIRMAN. No one else is interested.

Mr. MORRIS. No; and you will notice from the statement that the family got very little income out of the business. Practically the whole thing has had to go into the business; practically all of our profits.

The CHAIRMAN. Profits not withdrawn are already in the business. are they not?

Mr. MORRIS. That is true, but you take last year, for instance, we made over \$4,000,000 and yet we only declared a dividend of \$300,000. The business needed the money; everything is very high-priced, and we have had to borrow a lot of money, and instead of getting a reasonable return on the amount of money invested with the money we did make, we thought it necessary to leave it in the business.

The CHAIRMAN. I believe you stated in answer to a question that you were paid a salary out of the business of \$70,000 a year.

Mr. MORRIS. Yes, sir.

The CHAIRMAN. Are any of the other high-salaried people employed by the company members of your family also?

Mr. MORRIS. No; I am the only one of the family who is actively in the business at the present time.

The CHAIRMAN. You are the only one that gets a salary?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. And your salary, I suppose, of course, is paid with reference to what you are worth to the business.

Mr. MORRIS. What the directors think I am worth to the business.

The CHAIRMAN. And the directors are not all members of the family, although the family owns the stock?

Mr. MORRIS. No; they are not.

The CHAIRMAN. Well, that brings up a matter which I should think would be exceedingly complimentary to yourself. Mr. Armour, who evidently is an older man than you are, and has been in the business longer, said his salary was \$25,000 a year, and his is a close corporation or a family-owned corporation. Mr. Swift, who must be quite your age or older, I think, receives a salary of \$50,000, and he has a stock-ownership list of 25,000, I believe; in other words, the directors of your company and your family who own the stock, from the standpoint of what you deserve and what you ought to have, are giving you more than twice what the directors of the company give Mr. Armour, and \$20,000 more than what the directors of Swift & Co. think Mr. Swift is worth to them. I think it is a very great compliment to you, and I suppose it shows that the world is moving, and that the young men of this country to-day are the real factors in business, and that we will have to rely on them; and I think it is a great compliment to you, especially if you do not get any more than you are worth, and I take it for granted that you are not, because you are just taking it from other members of the family who are giving it to you.

Mr. HAMILTON. Was there an answer to that question?

The CHAIRMAN. He answered the question and then I commented on it.

Mr. MORRIS. Mr. Chairman, it is very kind of you.

The CHAIRMAN. Some of these men look unusually young, and I was simply thinking that Mr. Morris was perhaps not half as old as either one of these other gentlemen, yet he is receiving twice the compensation, and I take it that it is due to merit and because he deserves it.

Mr. DOREMUS. I suppose if they took the salary away from him, it would not make the price of bacon any cheaper.

The CHAIRMAN. I do not know about that. Mr. Morris, it has not been developed or suggested by anybody that you are keeping any expensive agents at the Capital of the Nation or elsewhere upon your expense account?

Mr. MORRIS. I do not quite understand your question, Mr. Chairman; pardon me.

The CHAIRMAN. I say it does not appear that your company is keeping employees at the Capital, at Washington, or anywhere else, for any other than the usual and necessary and essential functions that go with your business, like your coolers and branch houses?

Mr. MORRIS. We have a regular cooler force in Washington and we have a Mr. Simpson, who was in our foreign department. He has been down here for perhaps a year's time to chase up licenses and that kind of stuff. We have no legal talent or anything of that kind outside of a young lawyer who gets \$50 a month to run errands.

The CHAIRMAN. That is a sort of slam on the profession.

Mr. MORRIS. He does not put in all of his time for us; but if we want any copies of records or anything of that kind, we simply have to have somebody here who will go over and chase them up.

The CHAIRMAN. You have no high-priced gentlemen here to furnish articles of publicity or anything of that sort?

Mr. MORRIS. No; I am afraid we have not.

The CHAIRMAN. I believe that is all. I want to say that you have been a very frank and illuminating witness.

Mr. MORRIS. I have tried to be, Mr. Chairman.

The CHAIRMAN. A man who has grown up in any business is never in any trouble about answering questions, because he knows the business, and I think the committee all feel that you have been worth our time.

Mr. ESCH. Are you through, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ESCH. Mr. Doremus, do you want to ask any questions? If so, go ahead.

Mr. DOREMUS. I did not understand, Mr. Morris, in answering the questions I put to you that you attribute the muddled condition of the railroads, to use your own expression, to Government operation!

Mr. MORRIS. No, sir; I do not.

Mr. DOREMUS. What has been the effect of Government operation upon your business?

Mr. MORRIS. Government operation of the railroads?

Mr. DOREMUS. Yes.

Mr. SWEET. Or Government control.

Mr. MORRIS. As long as they will move the cars when we want them to I think that is the principal thing that worries Morris & Co.

Mr. DOREMUS. That is exactly what I am getting at. Can you move a carload of dressed beef from Chicago to the seaport any more expeditiously now under Government operation than you could before the Government took over the roads?

Mr. MORRIS. I do not believe we can.

Mr. DOREMUS. Then the general relief which has come to the country by way of clearing up congestion has not affected your business in any way?

Mr. MORRIS. At one time there was an awful congestion on the roads; whether that was just before the Government took them over, or just afterwards, I do not know; but that was an extreme case, and in a general sort of way I do not believe our trains are moving any faster than they did four or five years ago.

Mr. DOREMUS. So far as expedition and movement are concerned you have not noticed any particular change since the Government took over the roads?

Mr. MORRIS. I do not notice any particular change.

Mr. DOREMUS. I was quite interested in your description of the way you follow up your cars—that is, your privately owned cars—and I was going to ask you if you have shipped any meats or other products of your plant in Government-owned cars.

Mr. MORRIS. We have at times. When we could get them and needed them we have taken railroad cars which now, I presume, are Government-owned cars.

Mr. DOREMUS. Government-operated cars.

Mr. MORRIS. Yes; Government-operated cars, I should say.

Mr. DOREMUS. And when you ship your product in railroad-owned cars do you follow the same policy with reference to tracing those cars and endeavoring to secure quick transportation to the point of destination?

Mr. MORRIS. I do not believe that most of the time is wasted on a loaded car. It is a perishable product, and I think the railroads realize that it is a perishable product. Of course, we keep track of

the cars and we get a report as soon as those cars get East, but after we get them unloaded we do not expect to have them the next time, and then we will let the railroads do the worrying from that time on.

Mr. DOREMUS. If you ship a carload of dressed meat to the seaport or to some eastern point in a car owned by the railroad you follow the same policy with reference to that car that you do with your own car, do you not?

Mr. MORRIS. Yes.

Mr. DOREMUS. So whether the refrigerator car is owned by the railroad or owned by Morris & Co., you still use your facilities to secure the prompt delivery of that shipment?

Mr. MORRIS. Going East we do, but coming back we let the railroads worry about that.

Mr. ESCH. Right along that line, about the use of the cars, you stated that your ownership and operation of refrigerator cars was a loss to you.

Mr. MORRIS. Yes, sir.

Mr. ESCH. And I think Mr. Swift and Mr. Armour testified in the same way. Is that the general experience of the big packers?

Mr. MORRIS. I should presume it was; in fact, I have got more information about my competitors' business since I have been here in Washington than I ever had before.

Mr. ESCH. Well, this is an illuminating investigation then. That being the case, would the decision of the Interstate Commerce Commission of last July—I think it was the 31st of July last—be of any particular advantage to you in that it orders that payments should be made by carriers on the basis of the loaded and empty mileage, and that that mileage should be computed on the basis of distance tables without the elimination of mileage through switching districts; is that going to be an advantage to you?

Mr. MORRIS. I do not follow the railroad situation, personally. I do not handle the transportation cars of our company. I have not noticed that our cars have done any better than they have in the past. Of course, I know the results from month to month, how much we lose on our car business, and it has not improved any. Now, whether it would have been worse if that had not come in, I do not know. I should think that was a favorable matter.

Mr. ESCH. You are paid a cent a mile, empty or loaded.

Mr. MORRIS. Yes, sir.

Mr. ESCH. The switching yards are sometimes very long in extent, are they not?

Mr. MORRIS. You know more about that than I do, Mr. Esch.

Mr. ESCH. Well, take the Chicago yards, they possibly run 30 miles within the switching limits, and then you go through other large terminals, do you not; especially your shipments from the Missouri River to the Atlantic seaports, and this would mean a very large increased mileage both going and returning for which you would get 1 cent a mile, and this order of the commission of last July would be an advantage to you in lessening your losses.

Mr. MORRIS. I should judge it would help us to the amount of mileage we got through the terminals. I think it would help us that much.

Mr. ESCH. Would you be advantaged by this order of the commission of the same date that tariffs of the carriers be so changed that

private cars standing on the private tracks of owners shall not be subject to demurrage charges.

Mr. MORRIS. We are so short of private cars that I do not believe we ever had to pay much demurrage. We have to keep them going. Theoretically, I suppose, that ought to help us, but in actual practice I do not believe that would make much difference. We have not got quite as many cars as we could use very nicely, and we do not have our cars standing around very much.

Mr. ESCH. But this would be of advantage to you?

Mr. MORRIS. Yes; it would be an advantage to us. How much, I do not know. I do not believe in a year's time it would amount to very much, but it is an advantage; certainly.

Mr. ESCH. You have had your own department for the operation of your refrigerator cars, have you not?

Mr. MORRIS. Yes, sir.

Mr. ESCH. What is the personnel of that department—how many men have you?

Mr. MORRIS. That would be a good deal of a guess; but I should judge there are probably 10 or 12 men.

Mr. ESCH. Located only in Chicago or all over the line. You say you have men at crossing points to keep track of your cars; does that include all your men in the field as well as your men in Chicago?

Mr. MORRIS. I should think so, likely, although I would be glad to get that information and put it in the record, Mr. Esch.

Mr. ESCH. I wish you would, and I would thank you for it. Swift & Co. and the other big packers have like departments, have they not?

(Mr. Morris subsequently supplied figures: Seventeen men in the department—13 located in Chicago, Ill.; 1 located in Rood House, Ill.; 3 located in Buffalo, N. Y.)

Mr. MORRIS. I presume they have.

Mr. ESCH. I think they have all testified here that they have, and that would mean a large total of men who are employed by the big packers in expediting the operation of their refrigerator cars. Is that the highest form of efficiency, whereas you might substitute for five separate personnels one personnel, provided the Sherman Anti-trust Act would permit you to do it?

Mr. MORRIS. I believe that a monopoly could operate cheaper on a general average than a number of corporations. How it would work out in this particular case, I do not know.

Mr. ESCH. Would you be able to make a suggestion to this committee for the purpose of legislation along that line of permitting the control and operation of all your refrigerator cars to be in a central control? Would there be any objection on the part of the separate packers to an arrangement of that kind, provided the law would permit it?

Mr. MORRIS. Each packer, I presume, has a different number of cars.

Mr. ESCH. Oh, yes. Swift & Co., I believe, have 7,000.

Mr. MORRIS. I imagine if the cars were short, there would be a fine scrap as to who was going to get the cars, and I think we would rather drag along on our own basis.

Mr. ESCH. And each packer maintain or own a separate establishment?

Mr. MORRIS. I think so.

Mr. ESCH. And in the same way you would each maintain a separate branch house in a given community, although there were five of them in that community?

Mr. MORRIS. At the present time all our branch houses are operating to full capacity, and we would not have room for anyone in our branch houses. I do not know what shape the other folks are in.

Mr. ESCH. Well, I was looking at it from the viewpoint of the highest efficiency. You have testified to your efficient management, and all the other packers have thus far so testified, and I concede it. I think in some respects you have built up a most wonderfully efficient organization, but there is a step further in that efficient organization, if we could eliminate the duplication as to the operation of refrigeration and refrigerator cars, and of your branch houses, provided we do it under permission of law.

Mr. MORRIS. I do not believe this country is ready for any monopolies of any kind that have to do with the packers. I believe that a packer-monopoly could be operated cheaper than a number of packers, not only the big packers but the small packers all over the country, but I do not think that that should be done at this time.

Mr. ESCH. Then we are referred to another possible remedy, namely, that we give to some Federal Government establishment, or some agency, the control of all refrigerator cars, not only those of the five packers but those of the independent packers, and those owned by the railroads. Would you believe that that would lead to efficiency?

Mr. MORRIS. I do not believe they would run as many miles as the cars do at the present time, Mr. Esch.

Mr. ESCH. You fear that Government operation, not to say anything about Government ownership, would not result in as efficient conduct of the business of transportation of meat products as now obtains under private management and operation?

Mr. MORRIS. That is my belief.

Mr. ESCH. That is all.

The CHAIRMAN. Is Mr. Wilson present?

Mr. LIGHTFOOT. I will state that there is a meeting this morning of the producers and the packers and the Food Administration to consider the food situation with respect to the needs of the allies, and that Mr. Wilson is the chairman of that committee. He requested me to say that it would be gratifying to him if it would be the pleasure of the committee to hear him to-morrow morning. It is very important that he be present at the meeting that is now being held, and I understand that there are other witnesses here who can fill in the time. However, if it is the desire of the committee, Mr. Wilson stated that he would leave this other meeting and come here.

The CHAIRMAN. Well, that is a public service that he is rendering, and I do not think we ought to take him away.

Mr. LIGHTFOOT. Yes, sir; that is a public service.

The CHAIRMAN. Is there anybody present representing the Cudahy Packing Co.?

Mr. McNAUGHTON. I am representing the Cudahy Packing Co., and Mr. Cudahy is also in Washington, and I believe is also present at the conference that Mr. Wilson is presiding over. It was understood that Mr. Wilson would testify this morning, and I think that

is the reason, or at least I assume so, that Mr. Cudahy is not here: and the further reason that he is engaged on this other very important matter. If agreeable to the committee, I would like to testify to certain transportation matters, and then would be glad to answer any questions that the members of the committee might like to propound to me.

The CHAIRMAN. That will be all right. Mr. Cudahy, like Mr. Wilson, is attending to matters of great public interest, and therefore the committee could not expect him to be present at this time, and, for the further reason that we had expected to hear Mr. Wilson this morning.

Mr. MORRIS. Have you finished with me, Mr. Chairman?

The CHAIRMAN. Yes, the committee has finished with you. I want to say what has been said before, that if there is anything you think would shed any light on the subject in addition to what has been stated by you, and in addition to what is in your printed statement, you have the privilege of extending or adding to your statement when the transcript is presented to you.

Mr. MORRIS. I want to thank you, Mr. Chairman, and gentlemen of the committee, for this opportunity which you have afforded me to be heard, and for the consideration which has been given me during the hearing.

I would like to say that there is one point that was asked on yesterday, and that is about our cattle feeding. I will be glad to put it in the record or to give it to the committee orally if they are interested in it. I wired to Chicago and now have the figures, which I can give you.

Mr. STEPHENS. If it is in regard to cattle feeding I would like to hear it.

The CHAIRMAN. He went over that on yesterday afternoon.

Mr. STEPHENS. Well, I did not hear it, and I would like very much to have him give the information here now orally so that I may have it and may ask any question that may suggest themselves to me after hearing his statement.

Mr. HAMILTON. Before Mr. Morris starts on that line, I would like to ask a question or two. I do not know, Mr. Morris, what has been developed thus far on this matter, but I would like to ask, are you engaged in the business of handling groceries and canned vegetables and canned fruit?

Mr. MORRIS. We are engaged in that as distributor but not as manufacturer.

Mr. HAMILTON. How do you distribute them?

Mr. MORRIS. Through our branch houses and our sales organization. We feel that our men have to call on that trade anyhow, and it adds very little overhead expense if they also sell them canned vegetables or groceries along with the other line they are selling.

Mr. HAMILTON. You can route cars the same as other packers?

Mr. MORRIS. Yes, sir.

Mr. HAMILTON. And ship out groceries in the same way?

Mr. MORRIS. I presume so.

Mr. HAMILTON. That is all I wish to ask.

The CHAIRMAN. Now, Mr. Morris, you may state what you have to say about feeding cattle.

Mr. MORRIS. In the matter of feeding cattle I will say we erected barns at Peoria a good many years ago at a cost of \$80,000. The distillery people, under their contract with us, pay us \$690 a month on these barns. The price of slop is based on the price of corn, varying up or down according to the corn market. In the fall of 1916 we bought 9,494 head of cattle, at a total cost of \$701,014. The feed that year cost us \$366,639, labor \$42,463, overhead expense, \$13,556, insurance, \$10,915, repairs, \$5,847. After figuring interest, I will say that the average cattle producer, if he has the price of feed and a place to handle his cattle, can borrow the amount of the original purchase price of the cattle for farm feeding, not range feeding, but where it is all inclosed, and the cattle can't get lost in a storm or bad weather hurt them. I figure interest at the rate of about 7 per cent, which I think, is about the average interest rate for that class of feeding. The operation only took us about 7½ months, but I figured a whole year's interest on the original price of the cattle. That interest amounted to \$49,070, making a total of \$1,188,504. Now, gentlemen of the committee, we sold those cattle for \$1,589,037, making a profit of \$423,497. Figuring that profit on the amount we invested, and I have already charged interest for the original price of the cattle, so that the amount of the investment is our overhead, labor, feed, repairs, and it gave us a profit of 87 per cent, approximately.

Mr. STEPHENS. What did you make in 1915?

Mr. MORRIS. When?

Mr. STEPHENS. I mean on your feeding operations.

Mr. MORRIS. I beg pardon; I did not hear that.

Mr. STEPHENS. What was your profit in 1915 on your feeding operations?

Mr. MORRIS. I haven't got those figures. If the committee wants them, I will be glad to furnish them.

Mr. STEPHENS. That is important, because the most of the farmers went broke.

Mr. MORRIS. I will say that we made a profit.

Mr. STEPHENS. You did make a profit in 1915?

Mr. MORRIS. Yes, sir. It was not nearly so big a profit, but it was a profitable business.

Mr. STEPHENS. Can you put into the record the figures for a series of years covering your feeding operations?

Mr. MORRIS. Yes, sir; from what date to what date?

Mr. STEPHENS. Well, I would like to see them as far back as you can go.

Mr. MORRIS. We have them for four or five years. I do not know how far back they do go.

Mr. STEPHENS. I would be glad if those figures may be put into the record.

Mr. MORRIS. All right.

(Mr. Morris subsequently supplied the following figures:)

	Per cent.		Per cent.
1911-12-----	18	1915-16-----	46
1912-13-----	10	1916-17-----	81
1913-14-----	3	1917-18-----	58
1914-15-----	(¹)		

¹ Closed down on account of the foot-and-mouth epidemic.

Mr. HAMILTON. What do you call this, distillery slop?

Mr. MORRIS. Yes, sir.

Mr. HAMILTON. Is that more nourishing as a food than ordinary food that a farmer gives his cattle for fattening purposes?

Mr. MORRIS. I suppose that would depend upon what is the ordinary food. I do not know how it analyzes on the basis of corn, but the price we pay for it was originally made on the way the thing analyzed.

Mr. HAMILTON. Aren't you feeding under more advantageous conditions than the ordinary feeder would operate under?

Mr. MORRIS. We think we are running it fairly well.

Mr. HAMILTON. I did not mean that. I mean that you have facilities there, and the feed at hand for the feeding of a large number of cattle, and that there is no trouble as to supply, as it is right there.

Mr. MORRIS. The supply of food, do you mean?

Mr. HAMILTON. Yes, and all facilities.

Mr. MORRIS. The feed is based on the price of corn at Peoria. Now, I suppose, at the present, a person could buy corn if they wanted to a little cheaper.

Mr. HAMILTON. If you were going to feed corn, and I do not know much about this feeding business, what shape would you feed the corn in to the cattle, would it be by itself or in connection with other feeds?

Mr. MORRIS. Farmers differ on that. They might feed it either way. This year after we got started the distillery shut down and we have fed corn and other feed.

Mr. HAMILTON. You are feeding corn this year?

Mr. MORRIS. Yes, sir; and cottonseed meal and other things.

Mr. HAMILTON. I have never seen this distillery slop, what is it?

Mr. MORRIS. It is the corn after they take the alcohol or whisky out of it. It makes mighty good cattle.

Mr. STEPHENS. Is there any whisky left in it?

Mr. MORRIS. I don't think so.

Mr. STEPHENS. How many years have you been feeding, Mr. Morris?

Mr. MORRIS. My grandfather started feeding cattle forty or fifty years ago, I suppose.

Mr. STEPHENS. Have you fed consecutively ever since?

Mr. MORRIS. I do not believe there has been any year we haven't fed some cattle. He fed as many as 60,000 cattle in a year, and I think he was the largest feeder in the country.

Mr. STEPHENS. That was a good many years ago.

Mr. MORRIS. Yes, sir.

Mr. STEPHENS. In recent years you have not fed so many?

Mr. MORRIS. No; the different States have been going dry, and then I might say that grandpa used to be quite a farmer himself, and had a farm up near Harmon, Nebr., and another big one down in Indiana. He sold the Indiana farm before he died, and after he died the other one was sold, and we have not fed as many cattle as formerly.

Mr. STEPHENS. Is that the only reason why?

Mr. MORRIS. That is the only reason.

Mr. STEPHENS. It is not because you suffered a loss?

Mr. MORRIS. No; our feeding end of the business has averaged a good deal more profitable than the packing end of the business.

Mr. STEPHENS. How do you account for the fact that feeders all over the country have gone out of business in the last ten or fifteen years if the business has maintained as great a profit as formerly?

Mr. MORRIS. I think the Department of Agriculture will show a small increase in the number of cattle for the last year or two in spite of the amount that is marketed.

Mr. MONTAGUE. So you don't concede it to be a fact that more cattle feeders have gone out of the business.

Mr. MORRIS. I think there are more cattle on hand now than there has been for quite some time. There is this difference in condition: Some years ago there was a lot of free range out West, and that has been broken up into farms, and it has driven those fellows out. However, eventually there will be more cattle raised because they are raising more cattle on the farms than they did when it was in range. In the meantime, of course, it means some loss in number of cattle.

Mr. HAMILTON. Do you feed hay and alfalfa?

Mr. MORRIS. They feed hay sometimes, and cottonseed meal, and whatever they think is cheapest.

Mr. HAMILTON. Can a feeder out on the range feed cattle and make as good a profit as you have been making?

Mr. MORRIS. There has not been any investigation of that matter and I am not in a position to say.

Mr. HAMILTON. How are cattle ordinarily fed for the market? My friend, Mr. Stephens, suggested that they did not feed cattle on the range. I suppose he meant they took them right off the grass and fed them afterwards.

Mr. STEPHENS. In the corn belt.

Mr. MORRIS. There are a great many cattle that do not have any range, and then there are grass cattle.

Mr. HAMILTON. He suggested that they get them ready for the market in the corn belt somewhere.

Mr. MORRIS. Yes, sir.

Mr. HAMILTON. Can the feeder feed cattle in the corn belt?

Mr. MORRIS. Although this was going to be a big part of the investigation, to find out something about the feeding problem, as far as I know, the Federal Trade Commission did not investigate that part of it. I have no figures on that matter.

Mr. HAMILTON. You have no information.

Mr. MORRIS. I have friends who have done very well feeding cattle.

Mr. HAMILTON. Have you every reason to believe that other feeders have done as well as you have?

Mr. MORRIS. I think a great many feeders have done as well as we have, but not every feeder.

Mr. HAMILTON. Then the feeders are making more money per head of cattle than any other people connected with the business.

Mr. MORRIS. I think the feeders have been very prosperous in the last few years.

Mr. HAMILTON. You have been making more money in your feeding business than in your other business.

Mr. MORRIS. Yes, sir; we have made between \$40 and \$50 a head on feeding cattle and on the stuff we kill, including all our by-

products in connection with the meat, we only made 89 cents per head.

Mr. WINSLOW. Do you think that the elimination of breweries is going to drive up the price of beef cattle?

Mr. MORRIS. This feed doesn't come from breweries but from distilleries. There are very few distilleries operating, and I do not believe it will have any material effect either way.

Mr. HAMILTON. Isn't there a by-product from the beet-sugar factories?

Mr. MORRIS. Yes, sir; and that is fed principally around where the beet-sugar factory is.

Mr. HAMILTON. How does that compare with the distillery slop as a feed?

Mr. MORRIS. I am not familiar with that. We started to investigate it some time back, but we were a little slow in starting it, and did not get around to it. We think it a good proposition.

Mr. HAMILTON. Your experience is that corn is as good feed for cattle as distillery slop?

Mr. MORRIS. No; I haven't said that. The price we pay for distillery slop is based upon an analysis of corn and upon the price of corn.

Mr. HAMILTON. Yes; I understood you to say that.

Mr. MORRIS. I suppose corn is conceded the leading feed for cattle.

Mr. HAMILTON. Well, then, you would say corn would be equally as good a feed. I means as good as distillery slop.

Mr. MORRIS. I should think so.

Mr. HAMILTON. Therefore as to distillery slop, following up Mr. Winslow's suggestion, if the distillery business is ended, there would still be just as good feed for cattle as there has been heretofore.

Mr. MORRIS. This year we cannot get slop, and we are feeding about 5,000 cattle on corn or cotton seed meal, whichever seems the cheapest.

Mr. HAMILTON. Other things being equal, you are making money out of it.

Mr. MORRIS. We will make money, but not the same amount of money. Cattle have advanced terribly fast, and that has all been of benefit to the producer.

Mr. HAMILTON. On the normal market how much do you make about on a head?

Mr. MORRIS. Oh, each year it is different. We have always found it profitable as a whole.

Mr. HAMILTON. Yes; but about how profitable?

Mr. MORRIS. I should think on a ten years average, we have averaged, oh say 15 per cent, probably. But that is pretty much of a guess you understand.

Mr. STEPHENS. I would like to know if that isn't a rather remarkable situation.

Mr. MORRIS. Sure it is.

Mr. STEPHENS. Last year when you made this enormous sum of money, cattle had advanced tremendously.

Mr. MORRIS. Sure, and so had everyone else's cattle and the year before, too.

Mr. STEPHENS. And the year previous to that, in 1915, you said you made a profit.

Mr. MORRIS. Yes, sir.

Mr. STEPHENS. Isn't that a rather remarkable fact when perhaps 90 per cent of the feeders of cattle in the country lost a great deal of money, and some of them went into bankruptcy, many of them?

Mr. MORRIS. That year was a very unfortunate year for the feeders. I wouldn't think that 90 per cent of them lost money in that year, but perhaps you have some figures on that and I haven't got them. But that would be my general judgement, that it was a lesser sum than 90 per cent.

Mr. STEPHENS. I am estimating the number, of course.

Mr. MORRIS. I wouldn't estimate it that high.

Mr. STEPHENS. I know it was overwhelming and country-wide.

Mr. MORRIS. Of course, you always hear of the fellows who go broke and never hear of the ones who make money. I do not suppose that anyone ever knew, until I got down here, the amount we were making on feeding cattle.

Mr. STEPHENS. Suppose you were not in the packing business at all. Suppose you were going out to compete in the market and buy your stuff for your feeding yards, would you hesitate to put 10,000 cattle into the feeding yards and take your chances of selling them to Swift & Co., and coming out with a profit on them?

Mr. MORRIS. Swift bought lots of these cattle.

Mr. STEPHENS. Suppose you had no opportunity to distribute this meat yourself.

Mr. MORRIS. That wouldn't make a bit of difference.

Mr. STEPHENS. If you were not in the business of distributing the product yourself, and could not get a fair bid from others, you still think you could safely buy those cattle and feed them and sell them and make a profit?

Mr. MORRIS. Cattle are sold in a competitive market, and it would not make a bit of difference whether we had a packing house or not.

Mr. STEPHENS. Do you go into the yards and bid with others?

Mr. MORRIS. For our feeders?

Mr. STEPHENS. Yes.

Mr. MORRIS. Certainly. I should say that 90 per cent of these cattle were bought in the open market, on the markets in Chicago, Omaha, Sioux City, St. Paul, Kansas City, St. Joe, and any place that looked the cheapest.

Mr. STEPHENS. You did not raise any of them yourself?

Mr. MORRIS. No, sir.

Mr. STEPHENS. In arriving at your cost, do you figure it exactly as a producer does, and separate that cost entirely from your slaughtering business?

Mr. MORRIS. Yes, sir. I think the same thing would have been true if John Jones had fed these cattle.

Mr. STEPHENS. I think that is probably true, and I do not suppose there would be any difference if they were properly handled, but still I can not reconcile your statement about profits in 1915.

Mr. MORRIS. Did I carry that statement I just gave you in about the right form?

Mr. STEPHENS. I think that is satisfactory, the way you have it there.

Mr. MORRIS. All right.

Mr. HAMILTON. Is a good deal of the beef that we get grass-fed beef?

Mr. MORRIS. Yes; especially in the fall. It is very good beef, but not as good as corn-fed beef.

Mr. MONTAGUE. How is blue-grass-fed beef as compared with corn-fed beef.

Mr. MORRIS. That is rather an embarrassing question. Personally, I would rather have corn-fed cattle. If you could take cattle right on the range and kill them out there, without having them off the feed, I think that is the nicest meat of all. It is nice and sweet and fine; but from the time they ship the cattle from the grass to the market I find the corn-fed beef stands up better.

Mr. HAMILTON. You do not get better results from the grass-fed cattle?

Mr. MORRIS. No, sir. Corn-fed cattle stand up better than grass-fed cattle. Corn-fed cattle do not lose as much in transportation or in dressing, because it is a heavier meat.

Mr. WINSLOW. Do you feel the same as you did on yesterday in respect to the earnings of the feeding and producing business, namely, that for 15 or 20 years back that line of business has been just about as profitable as any other line of business?

Mr. MORRIS. I think it has been a very good business. I want to say in this connection that these cattle we show we made \$40 a head on did not take into consideration what the fellow made before us. I mean the man who had these cattle before we bought them. Our profit does not include from the time they were a calf, but only for 7½ months that we had them.

Mr. HAMILTON. What did you pay an average per head?

Mr. MORRIS. In the fall of 1917 we fed a little over 9,500 cattle and we paid \$833,000 for them. That would be, approximately, \$87 or \$88 a head.

Mr. HAMILTON. How much did you get for the fattened animal?

Mr. MORRIS. We sold these cattle for \$1,973,000, which would be well over \$200 a head.

Mr. MONTAGUE. But doesn't net you \$200 a head?

Mr. MORRIS. Oh, no. But Mr. Hamilton asked me to give him the original cost of the cattle and the gross sales price of them.

Mr. HAMILTON. Then you figure that the consumer of beef, for instance, pays a much larger proportion of the price than he pays for the beef to the feeder and the local butcher than he does to the intermediate man, the packer.

Mr. MORRIS. I know that is so. We get less than a dollar a head, you see, for our packing operations. There have been no investigations to determine what profits the feeder made and what the profits of the live stock man are, and what the profits of the retail butchers are, and yet they come along and say, Let us have some legislation against the packer. I do not think they can tell anything about it unless they find out the thing that comes before and the thing that comes after.

Mr. HAMILTON. It has been said that you are enabled to make a profit, the profit that you do, in handling stock by reason of the by-products.

Mr. MORRIS. In my figures the by-products profits are figured in.

Mr. HAMILTON. What do you get for the average cattle hide?

Mr. MORRIS. Our cattle hides at the present time, take a native steer, and we cure them——

Mr. HAMILTON (interposing). I mean before they are cured.

Mr. MORRIS. That is one place where the big packer comes in. We sort up our hides and make different classes of them, and cure them from 30 days to 45 days or 60 days. In that curing operation there should be a shrinkage of about 16 per cent. At the present time hides are worth somewhere about 25 cents or 26 cents a pound, I think.

Mr. HAMILTON. Now, just so we form some idea of the proposition, take a thousand-pound steer, in good condition, and what do you get for that hide, or what do you estimate that hide to be worth?

Mr. MORRIS. I haven't the figures before me, but will be glad to give an estimate on it offhand, if you want me to, but I will not guarantee the accuracy of it.

Mr. HAMILTON. All right; go ahead.

Mr. MORRIS. I should think we would get from such a steer a hide that weighed 45 or 50 pounds, and say that hide would be worth 26 cents a pound, after being shrunk 16 per cent, the value of the hide would be around \$10.

Mr. HAMILTON. Around \$10.

Mr. MORRIS. Yes, sir; somewhere in that neighborhood.

Mr. HAMILTON. What is your next best-paying by-product?

Mr. MORRIS. Oh, there are oils. I will say oleo oil.

Mr. HAMILTON. Can you give an estimate of how much oleo oil you will get out of a thousand-pound steer?

Mr. MORRIS. I would like to get those figures for you. I would like to be accurate on them.

Mr. HAMILTON. I do not want to put you to too much trouble on this matter. But this question about the value of by-products is rather an interesting one. I suggest, if it wouldn't be too much trouble to you, to make a list of these by-products, and take a thousand-pound steer, for illustration, and show what those by-products, beginning with the hide, amount to.

Mr. MORRIS. Suppose I give a statement of our beef cost on a thousand-pound steer, and that makes allowance for hides and all.

Mr. HAMILTON. All right; itemize it all the way down.

Mr. MORRIS. I will be glad to do it.

(Mr. Morris subsequently supplied the following information:)

Figures on 1,000-pound steer.

Cost	\$151. 14
Credits:	
Fat	5. 61
Hide	13. 34
Offal	3. 40

Live weight 1,000 pounds, dressed weight 554 pounds.

Mr. HAMILTON. In making some investigation of this matter four or five years ago, I recall that something was said about having a market in China for certain glands.

Mr. MORRIS. Take gallstones from cattle and they go to Japan. I think most everything is saved from a steer, and I think that is

what makes the packing business interesting, in trying to make everything profitable.

Mr. HAMILTON. Are gallstones of cattle the result of disease?

Mr. MORRIS. I do not think so.

Mr. HAMILTON. What do the Chinese use those gallstones for?

Mr. MONTAGUE. He said the Japanese used them.

Mr. MORRIS. They go to the Japanese. I think they use them for charms.

Mr. HAMILTON. I would like to find out what the charms are for.

The CHAIRMAN. We must hear other people here, so we must hurry along.

Mr. WINSLOW. How many times do you turn over the capital invested in your feeders in a year?

Mr. MORRIS. I suppose our total investment is turned over three times or three and a half times.

Mr. WINSLOW. If you reduce your cattle feeding business to a basis of three times turnover, and compare it with the earnings from your packing industry, do you divide it by three or multiply the other by three you can do either way, can't you?

Mr. MORRIS. How is that?

Mr. WINSLOW. If you take the profits of the packing business and multiply them by three, or take the other and divide it by three, you will get the earnings, will you not?

Mr. MORRIS. You will neither divide it nor multiply it. It takes about seven and a half months to feed cattle. So you can turn over your money once and a half times in feeding cattle.

Mr. WINSLOW. Or three times in the packing industry.

Mr. MORRIS. Yes, sir.

Mr. WINSLOW. So when you compare the value of the money invested in that business, it will be worth only half as much?

Mr. MORRIS. You will probably have—

Mr. WINSLOW (interposing). If you made \$100 on your steers—

Mr. MORRIS (interposing). \$40 on steers.

Mr. WINSLOW. Well, any amount. You want to take that one turnover. If you turned it over three times you would make \$120. wouldn't you? That makes the disparagement even greater.

Mr. STEPHENS. What date did you market this last year's output of beef cattle?

Mr. MORRIS. We do not market 10,000 cattle any one day. We have two loads in a day and four loads another day, and so on.

Mr. STEPHENS. Will you put into the record the date you marketed it, if possible?

Mr. MORRIS. The individual dates?

Mr. STEPHENS. You started them all feeding at once, didn't you?

Mr. MORRIS. Oh, no; you could not buy 10,000 feeding cattle of the kind that we wanted on any one day. In a general way, we start putting our cattle in in September and October, and maybe a few in November, and we start taking them out probably in March, and it runs from March until August.

Mr. STEPHENS. It is very important to know when you marketed your cattle.

Mr. MORRIS. Well, we run along from March until August.

Mr. HAMILTON. What have you been paying a bushel for corn, say, last season, for feeding purposes?

Mr. MORRIS. You see last year we did not feed corn, but fed slop, and slop is based upon the corn market at Peoria.

Mr. HAMILTON. When did you quit feeding slop?

Mr. MORRIS. Early this past fall.

Mr. HAMILTON. Have you had to buy corn since?

Mr. MORRIS. Yes, sir.

Mr. HAMILTON. How much have you been buying?

Mr. MORRIS. How do you mean?

Mr. HAMILTON. Well, how much have you been paying for the corn?

Mr. MORRIS. That has varied. Of course, corn is down quite a little now from where it was.

Mr. HAMILTON. What are you paying now?

Mr. MORRIS. When I left Chicago I suppose corn was worth around \$1.15 a bushel. I do not know what it is worth now. Of course, when we started feeding it was up somewhere around \$1.50 a bushel, I think.

Mr. HAMILTON. What do you have to pay for corn down in the country market, in the smaller towns, say, in Illinois, per bushel?

Mr. MORRIS. I should think that at Peoria, which is a grain market similar to Chicago, only smaller, there would be probably the freight differential between there and Chicago.

Mr. HAMILTON. It would be what?

Mr. MORRIS. I think probably the freight differential between Peoria and Chicago.

Mr. ESCH. I think you said there were more cattle in 1918 than in the preceding year.

Mr. MORRIS. Yes, sir.

Mr. ESCH. In that connection, I think it might be interesting to the committee, Mr. Chairman, to put in right here the statistics furnished by the Bureau of Crop Estimates of the United States Department of Agriculture, from reports of its correspondents and agents, who made the following estimates of live stock on farms and ranges of the United States, as of January 1, 1919:

	Number.	Aggregate value.
Horses.....	21,534,000	\$2,120,709,000
Mules.....	1,925,000	667,767,000
Milch cows.....	23,467,000	1,836,055,000
Other cattle.....	44,399,000	1,960,670,000
Sheep.....	49,863,000	579,016,000
Swine.....	75,587,000	1,665,987,000

In numbers, horses have decreased 21,000 from the total for 1918; mules increased 52,000; milch cows increased 157,000; other cattle increased 287,000; sheep increased 1,260,000; swine increased 4,609,000.

In average value per head, horses decreased \$5.76; mules increased \$6.78; milch cows increased \$7.70; other cattle increased \$3.28; sheep decreased \$0.21; swine increased \$2.50.

In total value, horses decreased \$126,261,000; mules increased \$40,088,000; milch cows increased \$157,188,000; sheep increased \$4,441,000; and swine increased \$278,726,000.

The total value on January 1, 1919, of all animals enumerated above was \$8,830,204,000, as compared with \$8,284,198,000 on January 1, 1918, an increase of \$546,006,000, or 6.6 per cent.

The CHAIRMAN. We are very much obliged to you, Mr. Morris. Mr. MORRIS. I want to thank you, Mr. Chairman and gentlemen of the committee, for the courteous treatment I have received.

The CHAIRMAN. Now we are ready to hear from some of the representatives of Mr. Wilson or Mr. Cudahy.

Mr. CREIGH. Mr. Chairman, I am Mr. Creigh, representing the Cudahy Packing Co., and I want to say that in talking with Mr. Lightfoot this morning, before this session, I had understood that Mr. Wilson, or that Wilson & Co., would go ahead this morning. So we are in a little tangle. I now understand that that has been changed slightly.

The CHAIRMAN. We are informed that both Mr. Wilson and Mr. Cudahy are attending a meeting at the Food Administration.

Mr. CREIGH. That is true of Mr. Cudahy, and I understand it is true of Mr. Wilson.

The CHAIRMAN. This matter came up when you were not in the room, and the committee expressed no objection to the absence of Mr. Wilson, nor, of course, of Mr. Cudahy, on account of the business that they are now attending to. Any representative of Mr. Cudahy may go ahead with his statement, so far as the committee is concerned.

Mr. CREIGH. I am asking you the question whether you expect to continue the hearings this afternoon under the new circumstances, as we are trying to shape up our arrangements, so as to fix the time.

The CHAIRMAN. Yes, sir. We will take a recess until 2 o'clock, after we finish the morning session, and continue on during the afternoon if there is somebody yet to be heard.

Mr. CREIGH. As a part of the program, we have a stock yards interest at Wichita, Kans., and we had asked Mr. Brooks, the president of that company, and not only a stockyard man, but a man familiar with cattle conditions in Kansas and the southwest generally, to come in and give you a description of the conditions in those yards and the effect of the acquisition by the Cudahys of a certain interest in the yards some years ago. I would say that I think Mr. Brooks is ready to go ahead if you are ready to hear him.

The CHAIRMAN. Is he to speak in behalf of the Cudahy interests?

Mr. CREIGH. In a general way.

The CHAIRMAN. I want to say that stockyards men have been pretty fully heard, and I think under the circumstances those called the big five packers should be heard without fail. I thought we would get through last week, but we did not, and now these men have come over into this week. Fully 10 days ago, I think it was, thinking this would all be over, I agreed that on next Friday, the last day of this month, to hear a lady who is to come here from New York representing the Consumers League, and somebody representing the American Federation of Labor. I agreed to that about 10 days ago. They did not want to come here until that time. They agreed that if they did not get through on that day they would not ask more time. Nobody remains but Mr. Wilson and Mr. Cudahy to be heard of the big five packers, and the stock yards matter might be taken up later if thought necessary. However, it

has been very fully discussed so far. I mean, we have heard a number of stockyards men. Inasmuch as it was not involved in these so-called charges made by the Federal Trade Commission, I thought it best to have the five large packers heard fully, because they have a personal interest in this matter outside of the general interest.

Mr. CREIGH. May I make this suggestion: We of the Cudahy Packing Co. would like to have Mr. Brooks brought in under our time, and Mr. McNaughton and myself could take up the afternoon, and then if we could have a few minutes to-morrow morning for Mr. Cudahy himself to appear before the committee and make a short statement, that would complete our presentation.

The CHAIRMAN. Mr. Wilson was given to-day, in fact, he was given Monday, and I could not put Mr. Wilson to the rear any more than I could put Mr. Cudahy to the rear if he had been here. Here is the point: If any of you gentlemen who are here representing Mr. Cudahy want to speak on general packing conditions, there can be no objection to it at all. But I dislike to start in on the stockyards business, because there is a gentleman from Chicago who wants to testify on stockyards, and one from Texas who wants to talk on stockyards, and that subject has been heard more fully than any subject matter before us. If you want to do this and lose the time, all right, for other people must be heard on Friday, the last day of the month, and we have got to end this hearing some time. But I do not want it to be said that any of the large packers failed to have a full, free, and complete opportunity to be heard. The country expects that, and I am sure the committee wants that, and I imagine that the packers would like to be heard.

Mr. CREIGH. Probably that would apply to the Cudahy stockyards, and Mr. Brooks could speak on that. And on the general cattle situation, no one is better informed than he is.

Now, I find that Mr. Lightfoot and myself have got on cross-purposes, unintentionally, and I think he would concede to Mr. Cudahy that he have half an hour to-morrow morning.

Mr. LIGHTFOOT. I will state that at the beginning it had been Mr. Wilson's intention to cover the whole subject matter of this investigation as that relates to the interests of Wilson & Co. He has been advised, however, that this committee has gone very fully into this subject, on the great economic questions involved, and he will probably limit his own statement now, and make a much shorter statement than if he had come in at the beginning, feeling that the committee has fully satisfied itself on a great many of these questions. So it would not inconvenience him in any way, I am sure, for Mr. Cudahy to have what time he may need to-morrow morning. And I am sure further that Mr. Wilson will be able to finish any statement he intends to make in probably 30 or 40 minutes, with any remaining time to be devoted to such questions as the committee may be pleased to ask him. So it will not delay the hearing in any way, I am sure, to grant the request which Mr. Creigh makes.

The CHAIRMAN. If Mr. Cudahy and Mr. Wilson are satisfied, and will understand that this committee is doing everything we can to hear them, and if they are willing to waive some of their time and let the stockyards men to be brought in to be heard, all right.

Mr. HAMILTON. Mr. Chairman, I understood a while ago that the traffic man for Wilson would be heard.

The CHAIRMAN. No; he was to follow Mr. Morris.

Mr. LIGHTFOOT. I am somewhat responsible for the embarrassment that Mr. Creigh finds himself in. In order to expedite the hearings, it was understood on yesterday that Mr. Wilson would come in this morning. He intended to do so and canceled his engagement to preside over the meeting at the Food Administration. A great many other packers were here, and the members of the Food Administration insisted that Mr. Wilson should preside over the meeting, and then he asked me to arrange it with the committee and with the witnesses that others be heard to-day and that he be heard to-morrow. It was only a few minutes ago that I was able to reach Mr. Creigh, and now he is attempting to fill in the time so that the committee will not lose any time, and the hearing will not be delayed.

The CHAIRMAN. That is satisfactory. But why not take a traffic man, now, who touches the whole industry, and then get down to the stockyards business later, if it is necessary to hear further argument on that subject. I am afraid if we take up the stockyard business now, that we will delay other matters, because there are so many other matters to be considered that have not been gone into as fully as the stockyard matter has, and these other matters should be fully considered.

Mr. DOREMUS. Who was the gentleman who was up here a few minutes ago and who was to be heard?

Mr. McNAUGHTON. I was the man referred to, but Mr. Creigh is our counsel, and that is all right.

Mr. CREIGH. I will agree that Mr. McNaughton may now go in and be heard if it is desired.

The CHAIRMAN. All right, let us go ahead. I wanted some one who would touch on the general subject. I did not want to take up the matter further with stockyards men when there are other men here to be heard.

Now, Mr. McNaughton, give your name, position, and address to the stenographer.

**STATEMENT OF MR. J. A. McNAUGHTON, TRAFFIC MANAGER,
CUDAHY PACKING CO., OMAHA, NEBR.**

The CHAIRMAN. You may now proceed with your statement.

Mr. McNAUGHTON. I am the traffic manager of the Cudahy Packing Co., with general offices at Chicago, Ill., a position I have held for the past 20 years. I have also something to do with the stockyards interests of the Cudahys.

Gentlemen of the committee, I only intend to touch upon the points that to my knowledge have not been completely or fully covered. I was very glad to see in the hands of one of the members of the committee, this morning a copy of the Interstate Commerce Commission's opinion in the Private Car Case, Docket 4906. All of the questions I have heard asked this morning are most fully replied to in that opinion of the commission. The investigation and inquiry was most exhaustive, and was one covering a long period of time, and including the testimony of a large number of witnesses, and to my mind it is a complete reply to this whole question as to where the best efficiency is obtained in connection with the refrigerator car question.

I shall not burden this committee by going into things that have been covered by others. Our situation is relatively the same, that is, the Cudahy Packing Co., when they wanted to go into the marketing of fresh meat, especially carcass stuff, first found it necessary to get a supply of refrigerator cars. They purchased in 1889 fifty refrigerator cars. They have added to that supply from year to year as it was necessary by their ability to get an additional supply of live stock and find a market for the product. To-day the Cudahy Packing Co. owns 1,476 refrigerator cars.

I shall not go into the financial end of the matter, because that seems to have been fully covered in the statement of the Interstate Commerce Commission, which commission is emphatic on the point that these refrigerator cars are operated at a loss.

I wish now to refer to a question asked by Mr. Esch in regard to additional compensation.

It is true that there was additional compensation of one-fourth of a cent per mile for both loaded and empty movements on refrigerator cars, which became effective some time in 1917. That was not the result of any order of the Interstate Commerce Commission. It was a voluntary act on the part of the railroads after a most thorough investigation into the needs of the private refrigerator-car companies. Notwithstanding that additional income for the year 1918, we had the greatest loss we had ever sustained in connection with the movement and operation of our refrigerator cars.

The movement of our cars for the year was also the lowest in history. That, as we can all recognize, was due to the general congestion on railroads, and, of course, to the high cost of labor and material.

Mr. Esch. And to climatic conditions?

Mr. McNAUGHTON. That had a great deal to do with it. That had to do, by the way, with the congestion.

Now, gentlemen of the committee, in connection with this matter, there is something more involved than the mere question of the refrigerator cars owned by the so-called five big packers. The private-car question involved in docket 4906 considered private cars of all kinds. On January 1, 1918, there were about 1,000 owners of private cars. The railroad companies owned 65,000 refrigerator cars. There were about 200,000 privately owned cars of all kinds, including tank cars, box cars, coal cars, poultry cars, and various other kinds of cars, and included in that number were 65,000 refrigerator cars. Some of these 65,000 refrigerator cars belong to the railroads but were operated independently—that is, as private companies. For example, the Santa Fe Refrigerator Despatch and the American Refrigerator Transit Co.'s cars are included, as I understand, in these figures. The Interstate Commerce Commission's report states that the value of these 200,000 cars is something like \$250,000,000. I assume that if that were so at the time, it is a great deal more now. To-day's value would probably be twice that amount, and if so that would be \$500,000,000 now.

These figures do not include repair facilities. The five larger packers own 17,500 refrigerator cars, or 27 per cent of the whole. So far as I know, none of them have enough. I know we have not.

Now, as I understand, the basis for this proposed legislation with respect to the car question is the complaint of certain shippers, who

say they can not get cars from the railroads or from those who have cars and can not get proper movement.

In my opinion, since the passage of the Esch bill, amending the interstate-commerce act, there is now sufficient power in the hands of the commission to require railroad companies to furnish cars within reasonable demands. There are a number of private car companies who make a business of manufacturing cars and leasing them. We have 100 such cars in our service at this time, and are using them right along.

By the way, we racked up those cars last fall in anticipation of a shortage and in recognition of the general railroad situation. That cost us about \$50 a car to rack them up for the transportation of carcass meat. Other shippers have access to the same source for a supply of cars. The figures I have mentioned regarding railroad refrigerator cars show a very large increased equipment now owned by the railroad companies.

In connection with the matter of efficiency, I wish to say that the average miles of travel per day of the Cudahy refrigerator cars for five years, from 1914 to 1918, inclusive, is 90 miles. That means for the 24-hour day and for 365 days in the year. It considers detention for loading, unloading, and repairs. On the basis of 90 miles per day, it takes $33\frac{1}{3}$ days to make a round trip between Omaha and New York (3,000 miles). The railroad pays for the use of this car 1 cent a mile. In other words, it is \$30 for the round trip of 3,000 miles. This is an average of $3\frac{1}{3}$ miles per hour. I do not think anyone will argue that that is unreasonably fast service. I am reliably informed that the railroad equipment will not average 30 miles per day all around. I think that figure is conservative.

But to extend the benefit of the doubt, let us consider it at 30 miles per day. I would now like to ask you gentlemen to take out your pencil and follow me, if you will, on these figures, and I think we will probably clear up some of these questions of efficiency.

At that rate of travel—30 miles per day—it takes 100 days to move a car 3,000 miles. At this ratio it would take about 3 cars to move the same amount of meat food products 3,000 miles that is now moved in one of the Cudahy refrigerator cars. From the best information I am able to get, it costs the railroad at least 2 cents a mile to furnish cars. Now, as I understand it, that only covers maintenance. That being so, the railroad company would either have to increase the speed three times or provide three cars to get the same efficiency now had with one Cudahy car. And it would cost \$180 merely to maintain three cars to do the same amount of work, which is an excess of \$150 over the present cost of furnishing cars for that particular service. This, by the way, represents, as you will see later, about 70 per cent of the per car freight earnings.

Now, looking at it from a little different angle, on the basis of an average travel of 90 miles per day, a Cudahy car would make substantially 11 round trips between Omaha and New York in 365 days. The freight earnings on a car of fresh meat of 22,000 pounds, at 98 cents, equals \$215.60 per trip. The total freight earnings for the year would be \$2,371.60. At the ratio of 30 miles per day under railroad operation, a car would make three and two-thirds round trips between the same points and earn under the same load freight

earnings of \$646.80, a deficit of \$1,724.80, as against the earnings of the privately operated car. Multiply those figures by the yearly movement and consider the efficiency as compared with railroad ownership and operation and the results are easily understood.

Mr. ESCH. Is your comparison with the average car owned by the carrier or with the refrigerator car owned and operated by the carrier?

Mr. McNAUGHTON. No; that is the average.

Mr. ESCH. If you have data comparing the packer-owned refrigerator car and the railroad-owned refrigerator car, that would be a more rational comparison.

Mr. McNAUGHTON. I haven't that information. I would say that the travel of a railroad refrigerator car would be somewhat higher than the general average of cars. What that figure would be I do not know, but I am taking the general average.

Now, I think we can cover this discrimination feature and get a better idea, if you will just follow along this line:

It takes six day, substantially, to move a loaded car of fresh meat from Omaha to New York, 1,500 miles. That is 250 miles a day. Now, the small packer's car and the big packer's car are in the same train, and receiving exactly the same service. That is, $10\frac{1}{2}$ miles per hour. Now, allow two days for unloading, 20 days for the return of the car, and that is 75 miles per day, or 3 miles per hour. Allow two days for repairs, precooling and loading, and you have a total of 30 days involved for the round trip of 3,000 miles, or close to 100 miles per day.

Now, gentlemen of the committee, so far as the Cudahy Packing Co. is concerned, we watch the unloading of cars very closely. We also watch the forwarding of these cars immediately they are unloaded, and getting them out of terminals. We then watch their movement all along the line, progressing it as much as we can. We have a force for that purpose.

Mr. MONTAGUE. By "forwarding" do you mean the return of the cars to the owner?

Mr. McNAUGHTON. Yes, sir. Now put two days additional time for unloading, 10 more for the return, and two days more for repairs and unloading, and you have 14 days, additional days, or a total of 44 instead of 30 days, and that reduces your average to 70 miles a day. So you will readily recognize on what depends efficiency of operation. If the cars can not be unloaded promptly; if the shipper does not have enough tonnage to load them promptly; if he doesn't have proper facilities for repairing them promptly; or if his traffic goes to short points, where there isn't opportunity for efficient service, you will see what it means. For example, in the switching trade, or anything like that, you can readily recognize that all these things would be factors, including delay in transportation and lack of efficiency in handling.

Mr. SWEET. The figures you have here cover car movement all over the United States, do they?

Mr. McNAUGHTON. That is the average of travel by all Cudahy cars.

Mr. SWEET. You are not taking any particular portion of the country?

Mr. McNAUGHTON. No, sir. By taking the Omaha-New York movement, I am merely trying to afford a more concrete illustration.

Now, in connection with the valuation feature, which is also an important subject in this matter: Say the five larger packers' cars are worth \$20,000,000. And these figures are not very far from the value reported in the 4,906 proceedings. The cars are naturally much more valuable to-day on account of the greatly increased cost of all kinds of material. On the railroad basis of operation, it would take practically three cars for each packer car, or say about 52,000 cars instead of 17,500 cars. The investment in that event would run to about \$60,000,000 merely to furnish the cars without consideration of increased values. If the value were twice what it was when these figures were made, then it would be \$120,000,000.

I prepared a lot of data on the construction and operation of cars, but do not wish to burden this committee, and appreciate that the question may have been gone into extensively, and perhaps you understand all about it, so if you desire, we will pass that by.

Mr. Esch. If you have the data there, I suggest that you make it a part of the hearing.

The CHAIRMAN. Yes, sir: make it a part of the hearing, whether you read it to us or not.

Mr. McNAUGHTON. The purpose is to make the interior of the refrigerator car as nearly as possible impervious to the outside elements, to prevent deterioration in the warm season and prevent freezing in the colder season. This means the use of the best known insulating material, usually two or three courses of hair felt and paper in the sides and ends, held in place by a system of wooden strips and, together with the inside and outside ceiling, forms a solid wall of insulation about 8 inches thick. The floor is insulated between the sills with the same kind and amount of insulating material and on top of the sills is a five-eighths-inch wooden decking, covered, first, with waterproof semi-liquid material, similar to asphaltum, but without the odor; second, with felt pad about one eighth inch thick; and third, with 2-inch tongue and groove kiln dried flooring, the groove being filled with the same asphaltic material. The floor is perhaps the weakest part of the refrigerator car from the standpoint of leakage. There is necessarily a considerable moisture that comes from condensation on the metal parts from the interior of the car and if this moisture finds its way into the insulation the whole system of refrigeration is defeated by having an active conductor of heat and cold; in other words, a leaky car. The roof is insulated with the same kind of insulating material as the sides and ends, but is practically a double roof with an air space between.

The ice tanks, which form the basis of refrigeration, consist of four in number in each end of the car. They are made of heavy sheet iron 20 by 20 by 72 inches. The ice and salt are put in at the top and at each end of the car, through what we call hatchways. For fresh meat the tanks are filled with crushed ice and rock salt, the amount of salt varying with the season of the year and the amount of refrigeration needed. For so-called cured meat, lard, etc., lump ice and no salt is used, the object being to prevent shrinkage from excessive heat and in the cooler season of the year no ice at all

is necessary in shipping such products in certain territories. When the ice tanks are filled the hatch plug is put in place. These plugs are heavily insulated and padded around the edge and so formed as to make a wedge about 18 inches thick, thus sealing the top of the tank and this plug is held in place by trap door securely fastened. The doors are heavily insulated and are padded, reinforced by system of springs, and so shaped as to form a wedge and are opened and closed and held in place by heavy iron lever. The melting of the ice, either with or without the aid of rock salt, forms a liquid of a temperature depending on the rapidity with which the evaporation occurs. Where salt is used the liquid is called "brine." The value of this for refrigeration has its limitations and when it has "spent itself," so to speak, it should be removed. To accomplish this each metal tank has an outlet valve about 18 inches from the bottom and the liquid is expelled either through the weight of the new supply of ice, put in at each icing station (averaging 16 to 24 hours apart) or a release rod in the hatchways, which operates more or less automatically. The liquid is released into the interior of the car on to a metal apron or pan laid on top of the floor and under the tanks. The construction of the car is such as to form a natural drain to the outside. The well is so constructed as to form a trap by holding the water up to a certain point and thus sealing the outlet against the outside elements. In the winter season rock salt is placed in these wells or traps to prevent freezing of the liquid and thus avoid the flooding of the interior of the car and damaging the lading.

I wish now to speak of some of the services and responsibilities attached to the maintenance and operation of these cars. Repair, rebuilding and building plants are maintained by each packer, or private car owner involving an outlay of a large amount of capital and employment of the most modern facilities for rapid and effective work. The packer doesn't wait for lower prices for material or labor and you don't see the railroad yard jammed with packers refrigerator cars awaiting repairs or rebuilding. When a car gets in such shape that it won't function properly, it is scrapped and a new car put in its place.

The only value of the car to the packer is to have it fit for service. The life of a car for fresh meat service is between 8 and 10 years and then must either be put into transportation of less perishable articles, or completely rebuilt; in the interim there must be extensive renewal of tanks, drip pans and practically all interior metal parts. The life of metal tanks is about 5 years. That is so because of the brine which not only rapidly eats away the metal in the tanks, but also similarly affects all other metal parts of the car, especially the interior.

It needs no argument to convince that the packer or producer of the product, whose very existence depends upon efficient transportation of his products, has the greatest possible interest in the fitness of the vehicle for this highly specialized and all important work and this interest must be regarded as exceeding that of any institution which merely transports.

Now, Mr. Chairman and gentlemen of the committee, to speak of some of the services and responsibilities—

Mr. MONTAGUE (interposing). What is the weight of one of these cars?

Mr. McNAUGHTON. Well, they will average anywhere from 45,000 to 50,000 pounds, depending upon construction. The modern construction for a refrigerator car is with steel channels extending from end to end. Modern railroad operating conditions have required a very heavy reinforcing of refrigerator cars, not only in the matter of channels, but in the draft arm and everything that has to do with the pulling and bumping shock that the car goes through.

Mr. MONTAGUE. Where do you reice the car?

Mr. McNAUGHTON. On the top of the car.

Mr. MONTAGUE. Somewhat as you put water into a Pullman car?

Mr. McNAUGHTON. Well, I do not know, but perhaps somewhat on the same basis. But these tanks are at each end of a refrigerator car.

Mr. MONTAGUE. Well, that is all right. Go ahead.

Mr. McNAUGHTON. Now, to get an idea of what is involved in the inspection and preparation for loading, we will take the car when it gets back to the loading plant. There is an inspection on the railroad terminal, merely relating to the running gear and general fitness of the car for movement. This involves only a superficial examination of the car body. Then the car goes to the owner to do whatever work is necessary. The owner's force of repairmen then go over the car in detail, see if the doors fit tightly, if the hatch plugs are missing or need repairs, if the interior has been damaged in any way by driving nails through the insulation, if the tanks are leaky (and a small nail hole is sufficient to throw the car out) or damaged by careless loading by the railroad, to find out if the traps are in place, and free from sedimentary deposit, and if the insulation is in place.

I might say that the tanks are drained every time the car is returned, letting everything come out that will through the trap door at the bottom of the tank. In the spring of the year we start in and clean out the sediment that has been deposited during the winter months. There is a deposit at the bottom of the tank of about 6 to 12 inches, almost a solid mass. That has no refrigerating or insulating value. That must be looked after, and if it were not looked after, it would be only a question of time until the tanks would be stopped up with that stuff and the refrigeration effectiveness impaired accordingly.

The CHAIRMAN. The committee will now take a recess until 2 o'clock.

(And at 1 o'clock and 5 minutes p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled at the expiration of the recess.

The CHAIRMAN. Mr. McNaughton, you may proceed with your statement. I want to say now so that you may clearly understand that if there is any material that you have there that you do not care to read it can be handed in and it will appear in the record of the hearing the same as if it was read.

Mr. McNAUGHTON. I thank you, Mr. Chairman; I did not understand that, otherwise I should not have burdened the committee with all this stuff. There is only a very small amount of my statement left, and I can finish it in five minutes.

The CHAIRMAN. You may proceed in your own way.

Mr. McNAUGHTON. I will continue where I left off—is the insulation in place? It is not infrequent, wherever body work of car is done by the railroads, we have to do it over again, because of the imperfect manner in which it was done. I have seen cases where the upholstering from mattresses was put in for insulating material to take the place of hair felt. Certain men who become more or less expert on different features of the work are assigned to that particular work and the job is done there and then on the theory of a stitch in time.

The car, after being properly fixed up, goes to the cleaning and icing dock where it is inspected for its fitness to load. If it has been loaded with anything that will taint the meat food, the odor must be removed. If the car came home empty then a thorough washing with hot water and soda and a scraping of the interior to remove stains or deposits. Thermometers are placed in the car and it is then reiced and when cooled to proper temperature is placed at the loading dock for loading. Each car is carefully inspected by the Department of Agriculture and rejected if not in every way fit for the service.

If the car is to be used for a carcass load the hooks (if there are any in the car) are examined and if they are rusty and need tinning they are thrown out for such treatment. If they don't need tinning they go into a solution for cleaning. This hook question is a serious matter and costs us about \$15,000 per year for new hooks. They are frequently taken out of cars, when the railroads use the cars for other loading, and as a general rule that's the last we see of them. The tinning expense is also a big item, but unless the hooks are tinned, when they need it, a rust forms and discolors the meat.

The packer also supplies the racks used in nearly every car to prevent damage by the shifting of the load, chafing, and to promote circulation. These racks are loose in the car and the loss and consequent expense is a big item to every packer, but it's one of the services the packer has supplied to insure safe transportation of his property.

Now, what happens when we do not have cars to load? The centralized marketing system which the live stock producer depends upon for the sale of his stock is founded on either selling to the packer who has his plant and organization and manufacturing and distribution established and dependent upon a supply of live stock at that point or to the out-of-town buyer who ships the live animal. If the packer doesn't have a supply of cars for shipping the product he is not a factor on the market. The whole system of year around production of live stock marketing, manufacturing, and distribution is so intimately associated that if any one factor is removed the whole plan fails and the refrigerator car is the keystone to the whole works. The economical way to conduct the business is to slaughter the animal near home thus saving shrink. The Cudahy Packing Co. has established plants in the live-stock producing section and if we don't get the animal in the West we don't get it at all.

The economy in shipping the products, as compared with the live animal, will be appreciated when it is understood that there is about 20 per cent waste in slaughter in every car of cattle so that every fifth car of cattle transported is a waste of transportation that some-

body pays for and all of this doesn't help the industry. I have seen times, owing to stress of weather, that we had no cars and plants filled to capacity with products and the pens filled with live stock and we were off the market until we could get some cars, almost any kind.

There has been a great deal said about the peddler car. I think there is a great deal of misunderstanding as to what the peddler car really is. I will attempt to tell you.

The peddler, or more properly, the route car, is a car what has been loaded with commodities at the packing house for local distribution to butchers at small towns along the line of railway where the volume of business does not warrant carload shipments, and is operated for the purpose of making periodical distribution of fresh and cured meat, in fresh and wholesome condition. It furnishes an assortment and supply of fresh stuff at frequent intervals. These cars are loaded in station order, at the expense of the packer, and, of course, at the packing plant. The icing in transit is performed by the railroad company but paid for by the packer.

Peddler or route cars are similar in every respect to the ordinary merchandise way car operated by the railroads, from every important station where the volume of business is sufficient to warrant the forwarding of merchandise or way cars, with the exception that the way car is loaded at the expense of the railroad company.

The packer operates peddler cars for the reason that the railroads do not furnish adequate schedule refrigerator car service, and have repeatedly refused to establish such service on branch lines, or on main lines, when they thought the amount of traffic would not warrant the expense of operation.

It has been our constant endeavor to have the railroads perform that service; and whenever we have been put into the position of having to inaugurate the service, we have retired from it as quickly as we could induce the railroads to take our place.

There is one reason that I think is sufficient to convince anyone, and that is that we pay a heavy penalty charge which amounts to several thousand dollars a years to us to maintain that service. That penalty charge you will see a little later.

Where the railroads do operate refrigerator cars this company uses that service to a very great extent.

Our records show that 42 per cent of our less than carload meat business is forwarded in railroad schedule refrigerator cars, while the remaining 58 per cent moves in packers' peddlers or route cars. Probably 90 per cent of the freight that we move in the packers' route car is in cars furnished by the railroad company; in other words, not in our own cars.

The railroad schedule refrigerator cars move on established days of the week, from and to certain definite points, and such cars will not take freight for other stations, either intermediate or beyond the operative limits of the car. Therefore, there are times when even the railroad schedule refrigerator car could not be used for the traffic over the particular route.

The railroads operate their schedule refrigerator cars regardless of the amount of tonnage, and there is no penalty attached to the shipper if cars contain only a small amount of tonnage. On the other hand, the railroads, in the west, require a minimum of 10,000 pounds

or more of freight, loaded in the packers' peddler or route cars, and also require a minimum revenue, based on fourth-class rates, to the farthest destination of any shipment in the car.

All shipments in the car pay the full less-than-carload rates, and, in addition, pay a penalty, if the car is loaded less than the required minimum weight.

The merchandise shipper whose freight is forwarded in box cars, or the shipper of refrigerator freight whose shipments are forwarded in railroad schedule refrigerator cars, pays only the less-than-carload rate, without penalty, and he does not pay for the expense of cleaning the car, or the loading or storing of the freight, the initial icing, or reicing of the car in transit.

The peddler car and the railroad way car are both handled in the same local trains, peddled from station to station, the shipments in both instances being assessed at the published less-than-carload rates.

Mr. ESCH. The car is not set out at the station, is it?

Mr. McNAUGHTON. No, sir. The car is not for the exclusive use of the shipper. The railroads do, in some cases, use the cars for other shipments, but we are not making a point of that. The operation of the refrigerator-car service is absolutely necessary, if the smaller towns in the country are to receive perishable food products, and if the carriers refuse to furnish this service, as they sometimes do, it is absolutely necessary that the packer take up the burden of performing some of the duties of the common carrier, if the public is to be served.

The fact that 42 per cent of our less-than-carload shipments go in the railroad scheduled refrigerator cars is evidence that we desire to use railroad refrigerator service when it is available; and it is safe to say that the other 58 per cent will go in the railroad refrigerator-car service if the railroads have that service to offer. Most of the railroads do not desire to handle fresh meat in their schedule refrigerator cars, for the reason that they do not use salt in reicing, and advise that they can not maintain the temperature low enough for the safe transportation of fresh meats without using salt, and if they do use salt, they reduce the temperature too low for the transportation of fruits and vegetables.

We are compelled to pay penalty charges on the majority of peddler cars we load, and in some instances the penalty is great, and we have to meet a cost at least double the freight rate of the shipments that are forwarded in such cars.

Right there, I want to make this observation, that when we sell these goods, which are sold by our regular traveling men who make the territory from week to week, all that we can figure in making the price is the ordinary freight rate, because we never know what tonnage the car will have, and consequently whatever penalty there may be we have to put up out of our own pocket, and it is not reflected in the prices that we make to the country buyer.

We have been trying for years to get the railroad companies to increase their refrigerator service, without appreciable effect.

As an illustration of how inadequate the refrigerator service is, we point out that there is no schedule service from South Omaha, Nebr., from which city there is now more less than carload refrigerator freight than from any town west of Chicago. There are some rail-

road refrigerator cars operated from Omaha, which is 5 miles distant, but to get the benefit of that service it is necessary for us to deliver the freight to the Omaha freight station.

Here is an example of no refrigerator service from a city which probably produces ten times as much refrigerator tonnage as Omaha, where there is a scheduled railroad refrigerator service. It is doubtful if there is any single railroad station that could handle all of the less than carload refrigerator tonnage that would be offered, if the packers should abandon the practice of forwarding their shipments in peddler cars. All of the icing facilities, track room, warehouse room, and station forces of the railroads would have to be greatly increased. In some congested terminals this extension of facilities would be absolutely impossible.

The entire burden of this expense is thrown on the packers by the railroads. It is the practice of lines in the West to operate so-called trap cars, by which a car is sent into the shipper for the purpose of loading the shipments for distribution from one or more railroads. It is placed on the switch at the shippers' plant without expense to him, and is taken to the railroad company's warehouse or freight station, and the freight redistributed into various way cars.

The only requirement in this case is that the car must contain a total of 6,000 pound of freight. If, however, the car contains less than 6,000 pounds of freight, the shipper is assessed a penalty of \$1 per 1,000 pounds for each 1,000 pounds less than 6,000. In other words, if the car contains 5,000 pounds, he pays \$1; a penalty which is not comparable with the penalties which the packer pays. The packer is governed by special provisions and penalties in the use of the railroad refrigerator cars.

The peddler car rules and regulations of the carriers have been before the Interstate Commerce Commission in various cases, and in no instance has the commission ever criticised the operation of peddler cars from the shippers' standpoint.

Now, in connection with this feature, there has been a great deal of talk about shipping hardware and paper and groceries in these packers' peddler cars. I want to assure you gentlemen that, if there is any hardware, paper, or groceries shipped in any packers' peddler or route cars, they pay the full less-than-carload rate, the same as any shipper of the same articles would pay. They get no better service in the matter of movement than if shipped in the way car of the railroad, from the various freight stations, and in no sense can I see that if the packer did so he would gain any advantage whatsoever, and there would always be the disadvantage of putting anything in a refrigerator car where there was more or less moisture, with which such thing as hardware, for example, might come in contact. So I say emphatically that there is nothing in that that works a hardship or discriminates against anyone. So far as the Cudahy interests is concerned, I know of no such case anyhow. In reading over the testimony, I find that someone asked me a question as to whether or not there were any contracts in existence under which the refrigerator cars of the packers were required to be returned empty.

I will take the liberty of answering that by saying that there is no such thing as a written contract between the railroad and the

packer covering the operation of its car over the railroad. The compensation for the use of the car is provided by a tariff legally published and filed by the carrier, which names the amount of the compensation. That is all there is in the nature of an agreement.

There is an implied obligation that those cars shall be brought home promptly. The loading back of packers' refrigerator cars is comparatively a small item. I admit frankly that if they were loaded back more extensively you would find a less efficient operation. In other words, the whole question is one of efficiency; and the question of efficiency depends upon how these cars are loaded, how they are handled. If they are going to be loaded miscellaneously and shipped all over the country, you will never get an efficient service out of them; and the reason they show such efficiency is because of the fact that they are handled promptly both ways, or with reasonable promptness.

I would like now, as the representative of the Cudahy interests who looks after their stockyard interests to some extent, to say that in about 1906 the Cudahy Packing Co. obtained an interest in a plant which was merely a hog-packing plant, at Wichita, Kans. The plant had been in existence for a great many years, and quite indifferently operated. The stockyards was a very small and not a very prepossessing appearing institution. The whole thing looked like it had pretty nearly died of dry rot. There was not a market there; although a vast amount of live stock was produced in that section of the country, it did not stop at Wichita but went right by.

The reason for that was that there was no attempt made to pay relatively fair prices by those who were there with their packing plant.

There was also the Jacob Dold Packing plant there, which was in operation. The Cudahy interest obtained, at the time they got control of the packing plant, also an interest in the Wichita Union Stockyards, and I do not think the stock at that time was worth 20 cents on the dollar. The yards had been in existence a great many years and had never paid a dividend. The freight rates into Wichita were very badly adjusted, and from the big cattle country south of Wichita they were practically the same as to Kansas City, although the distance is, substantially, 225 miles less to Wichita than to Kansas City.

The Cudahy interests got in touch with the whole thing, and finally were able, after spending a great deal of money and time, to get the rates fixed up so that Wichita now has a differential under Kansas City on cattle from the south and southwest.

The plant was rebuilt by the Cudahys, and finally a cattle killing capacity established. The yards have been rejuvenated, and we think there is a very good market at Wichita. The receipts of live stock are steady, and the shippers seem to be reasonably satisfied with the prices they get. The prices are within reasonable relation to the prices paid at other markets.

As far as I can see—I am biased; I claim to be—but a vast amount of good has come to that section of country on account of the Cudahy interests taking hold, so to speak, of the stockyards and the packing plant.

At Salt Lake City we started in about two years ago to do about the same thing. There was an old packing plant there that had not

been operated for a good many years. There had been a stockyard there for a number of years which really did not amount to much; nothing but a sort of feeding and transit arrangement. And the Cudahys have gone in there, fixed up the packing plant, established a market, and are doing their best to develop a live-stock feeding business in that section of the country. It is a pretty hard game, especially when you consider that the freight rates are badly adjusted.

Without attempting to burden you gentlemen with our troubles in that respect, I would like to observe that the rate on fresh meat, for example, from Salt Lake City to the Missouri River points is \$1.75 per 100 pounds. That is 280 per cent of the rate on cattle, which is 62½ cents per 100 pounds. The Ogden Packing Co., located at Ogden, Utah, which is 30 miles from Salt Lake City, has been working since last June trying to get some reduction in that rate, and we have been trying to assist in getting the rate revised, but so far we have neither of us made any progress.

The success of the Salt Lake market and of the packing business there depends a great deal upon a reasonable adjustment of freight rates. The competition between the live animal and the product is always an important item—a serious affair.

And somewhat in connection with that, a question was asked Mr. Morris this morning if he thought the packers had paid their share of the transportation expense of the country.

I would like to make this observation in answer that that inquiry:

In 1910 the rate on fresh meat and packing-house products, from Omaha, Sioux City, and St. Joseph to the Mississippi River, which covers all traffic moving to the big eastern consuming section, was advanced 5 cents per 100 pounds.

Following on top of that—I have not the dates with me, because I did not intend to testify on this, but I can give you a general idea without giving you the dates. On top of that, we got the 5 per cent increase east of Chicago. The rate on beef at that time from Chicago to New York was 45 cents; so that 5 per cent increase made it 47½ cents.

On top of that, and not very long afterwards, there was an increase of 15 per cent; that made the rate 55 cents. Then came along a 25 per cent advance, which made the rate 69 cents.

So that you have an increase of 24 cents per 100 pounds in the rate from Chicago to New York within a comparatively short time.

If that subject is interesting to this committee, without burdening you too far with the matter, I would like to say that at the time the 25 per cent advance was made in the rate on fresh meat from Missouri River points to New York the rate on live stock was advanced only 7 cents per 100 pounds. In other words, there was a limitation put upon the advance in the live-stock rate of 7 cents, while the product rate was advanced the full 25 per cent, which made an advance of 19½ cents per 100 pounds in the rate on fresh meat from Omaha to New York, as against an advance of 7 cents per 100 pounds in the rate on cattle from Omaha to New York.

Prior to this advance, the rate on cattle from Omaha to New York was 60 cents per 100 pounds; the rate on fresh meat was 78½ cents per 100 pounds. The advance in the cattle rate made it 67 cents. The advance in the product rate made it 98 cents.

There, you have a spread of 31 cents per 100 pounds in the rate between cattle and fresh meat, from Omaha to New York.

Now, then, in that connection, a petition was filed, signed by 18 packers, with the Hon. C. A. Prouty, director of Public Service and Accounting, requesting that the advance in the product rate be limited, in the same proportion as the advance made in the live stock rate.

That letter was dated last July. The matter has been actively canvassed with the Railroad Administration, but so far we have had no results.

If the committee feels interested, I would be glad to read into the record a letter written to Mr. Johnson, chairman of the western freight traffic committee, in connection with this subject.

SEPTEMBER 19, 1918.

Mr. A. C. JOHNSON,

*Chairman Western Freight Traffic Committee,
Transportation Building, Chicago.*

DEAR SIR: On May 25 the Director General of Railways issued his General Order 28, increasing freight rates, with stipulated exceptions, 25 per cent, to become effective June 25. One of the exceptions was the rates on live stock on which the maximum advance was limited to 7 cents per 100 pounds.

On May 27 the Director General stated:

"In making the advance effective on the date specified a simple form of tariff authorized by the Interstate Commerce Commission must be used and this will lead to the temporary disregard, to some extent, of established groupings and differentials. But it is the intention to observe such groupings and differentials as far as practicable, and hereafter, with as much dispatch as possible, restore any important relationships which may be for the time being disturbed, and concurrently therewith endeavor to remove any existing discrimination and bring about uniformity of rate adjustment throughout sections where conditions are similar."

On June 5, or 20 days prior to the effective date of the advance, we wrote you as chairman of the western freight committee, calling your attention to the great spread between the rates on live stock and its products that would result from a literal interpretation of Order 28 and calling your attention to the injury that would result to our Missouri River plants unless the advance on the products were limited to the same amount as the advance on the live stock with which it competes. Subsequently we appeared before your committee and gave you additional facts and figures.

On September 13, or three and a half months after our protest is filed, you write us our protest "is being considered in connection with the readjustment of rates on live stock throughout western territory which is now under consideration but which has not been definitely acted upon and is not therefore disposed of."

In the meantime, on June 25 the fresh-meat rate from the Missouri River to New York was advanced 19½ cents, packing house product rates advanced 15 cents while the cattle and hog rates were advanced 7 cents. That excessive discrimination has cost this company in the three months that it has been in effect a great amount of money.

We have not in this case argued for the same rate on the product as applies on the animal (to which we know we are entitled by every consideration of sound economies) nor have we asked your committee to establish any scientific relationship. Yet to show the absurdity of the present through rate adjustment, we can not refrain from calling your attention to these facts which must have escaped your attention.

1. The western lines have always maintained the same or lower rates on the product than on live stock where there was a competitive movement in volume.

2. Every case involving the rates on live stock and its products that has been before the commission on complaint in the past 25 years has been on the ground of discrimination by reason of the rates on one of these commodities being higher than the rate on the other, and no complaint has ever been filed with the commission by any individual, corporation, or community when the rates on the two commodities were exactly the same in cents per 100 pounds. That sig-

1120 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

nificant fact in itself should go far in determining what the relationship should be.

3. In all decisions handed down by the commission in the past 25 years it has emphasized these three facts—

First. That there is active and forceful competition between live stock and its products.

Second. That a relationship should be established between the rates on the two commodities.

Third. That such relationship should be established on transportation conditions only.

The facts and the testimony of all witnesses in every one of such cases has supported the commission's conclusions on those three facts.

4. There is no shipper of live stock or its products or of both, or any traffic or transportation expert of any railroad line, that honestly believes that it costs more to transport the products than it does the live stock.

5. In no case where the issue of relationship was squarely before the commission has it ever found that the rates on the products should be higher than the live stock.

6. From the Missouri River cattle, hogs, fresh meat, and packing house products move to the Mississippi River at exactly the same freight rate, although the tonnage in the packing house car may produce three times the revenue of a single-deck car of hogs. Immediately on crossing the river the rate on the fresh meat jumps to 25 cents more than the rate on cattle, which produces as a final result a rate on fresh meat that is 31 cents higher than on cattle from Missouri River to New York.

7. That 18 packing companies operating practically all the packing houses from Detroit to Salt Lake and every like stock organization have protested against the discrimination against meat products and have asked that the limit of increase on live stock of 7 cents be applied to the product rates.

For your convenience we quote below the rates that were in effect prior to June 25 and the present rates on live stock and products from Omaha and Chicago to New York:

	Old rates.	New rates.
Omaha to New York:		
F. M.	73½	94
P. H. P.	59½	74½
Cattle	60	67
Hogs	61½	68
Chicago to New York:		
F. M.	55	69
P. H. P.	36	45
Cattle	38	45
Hogs	38	45

Our average loading at all houses last week, which was a representative week, was as follows:

Fresh meat average loading:	Pounds
Fresh meat, not frozen	23, 628
Fresh meat, frozen	30, 589
P. H. P. packed	47, 321
Hides	61, 000

We suggest you compare the earnings on the live stock with the earnings on meat and see if there is any warrant in permitting an advance of 18½ cents on fresh meat and 15 cents on P. H. P. Missouri River to New York, while the advance on live stock is but 7 cents. Take particularly the rates on hogs and P. H. P.:

	Weight.	Rate.	Revenue.
	Pounds.	Cents.	
Omaha to New York:			
P. H. P.	47, 321	80.74½	632.54
Hogs D.D.	22, 000	68½	150.70
			281.44

The revenue on a car of P. H. P. exceeds that on a double-deck car of hogs by over \$200 per car, or much more than double the revenue. This means that the carrier must handle more than two cars of hogs to one of packing-house products to earn the same revenue.

Please note particularly that the rate on packing-house products was 2 cents less than the rate on hogs prior to the 25 per cent advance and that it is now 6 cents higher than the hog rate. Even if the old relation of 2 cents lower on the product than on the hog were restored, the revenue on one carload of product would still be greater than the revenue on two double-deck carloads of hogs. We call your attention to the fact that the rates on packing-house products and hogs from Chicago to New York are exactly the same in cents per 100 pounds.

Comparing the revenues on fresh meat and cattle, we find that prior to the 25 per cent advance the revenue on a car of chilled fresh meat was \$182.65, on a car of frozen fresh meat \$240.12, on a car of cattle \$132. Since the advance, a car of chilled fresh meat yields a revenue of \$228.03, frozen fresh meat \$299.76, and cattle \$147.40 per car. Thus the revenue on two cars chilled fresh meat is greater than on three cars of cattle and one car of frozen fresh meat produces more revenue than two cars of cattle.

If the taking over of the railroads by the Government was for the conservation of equipment, motive power and terminals, so essential to the winning of the war, then by what process of reasoning can any traffic committee, appointed to aid in accomplishing that result, ignore the facts and by its silence permit even for one day an additional burden to be placed on top of the discrimination already existing against a western industry whose plants are properly located for the conversion of the raw material into the finished product at the source of production; thus eliminating the uneconomic haulage of the wasteage of about 20 per cent and the inedible product amounting to an additional 10 to 15 per cent; this elimination and the much heavier loading of the product than of the live stock greatly reduces the unnecessary haulage of gross tonnage, thus supplying meat products to the Atlantic seaboard for domestic and export consumption at the very minimum of transportation effort and expense to the carrier.

Let it be said to the credit of the wisdom and fairness of the western railroad management, that western roads have always recognized the soundness of this economic theory by making the product rates from every important packing point in the West to the Mississippi River and Chicago generally lower, but never higher than the rates on live stock.

Again we repeat that all we are asking at this time is for your committee to recommend a 7-cent maximum increase on meat products under General Order 28. The matter of a definite and fixed relationship as between live stock and its products can be disposed of in a separate proceeding when all interests can set forth their views.

The volume of the business and the magnitude of the discrimination warrants immediate action on the part of your committee, and we believe this case falls clearly within the scope contemplated by the Director General in the statement that differentials would be restored with "as much dispatch as possible."

We believe that we are entitled to a definite answer so that the matter may be pursued further if necessary.

Yours, truly,

THE CUDAHY PACKING CO.

That is all I have to say, Mr. Chairman; but I shall be glad to answer questions.

The CHAIRMAN. I will reverse the usual order. Mr. Sweet, have you any questions?

Mr. SWEET. I have no question to ask, Mr. Chairman.

Mr. ESCH. You make mention, I think, of certain refrigerator car lines that were railroad-owned?

Mr. McNAUGHTON. Yes, sir.

Mr. ESCH. If I remember rightly, you mentioned the Santa Fe refrigerator dispatch?

Mr. McNAUGHTON. Dispatch.

Mr. ESCH. Yes, the Dispatch.

Mr. McNAUGHTON. The American Refrigerator Transit.

Mr. ESCH. Yes.

Mr. McNAUGHTON. Well, there are several of them.

Mr. ESCH. How long ago were those established?

Mr. McNAUGHTON. Well, I do not know; a great many years ago, however.

Mr. ESCH. Well, when they were established, the rate of payment was on a per diem basis, was it not?

Mr. McNAUGHTON. Never, to my knowledge. That is, on the railroad refrigerator cars it may have been, but not on the privately owned refrigerator cars.

Mr. ESCH. Were the packer-owned refrigerator cars ever on a per diem basis?

McNAUGHTON. No, sir; not to my knowledge.

Mr. ESCH. Which basis brought the most revenue?

Mr. McNAUGHTON. Well, that all depends, of course, upon your per diem rate.

Mr. ESCH. Well, the rate was 20 cents, if I remember rightly, and it has gone up as high as 75 cents, has it not?

Mr. McNAUGHTON. Yes. Well, in some respects the per diem arrangement would probably yield more than mileage, dependent entirely upon the travel of the car and the rate of payment made.

Mr. ESCH. Now, where these railroad refrigerator car lines are operated, do they have a separate administrative agency to do that and nothing else?

Mr. McNAUGHTON. Yes, sir.

Mr. ESCH. How does the efficiency of railroad-owned refrigerator car line service compare with the efficiency of packer-owned refrigerator service?

Mr. McNAUGHTON. It is not as good.

Mr. ESCH. It is not as good?

Mr. McNAUGHTON. No, sir.

Mr. ESCH. Well, why is it not as good?

Mr. McNAUGHTON. Because they do not have the constant loading to start with, and there is a larger percentage of those cars that are returned under load. In other words, they load back more of the cars than the packers' cars are loaded back.

Mr. ESCH. Well, you take the Pacific Coast fruit express, coming from California, with citrus fruits from the East: Do they go back empty?

Mr. McNAUGHTON. Very largely. There is some loading back. I do not know what their figures will show. There are quite a number of them loaded back.

Mr. ESCH. Quite a percentage go back loaded?

Mr. McNAUGHTON. Yes.

Mr. ESCH. That is an efficiently managed service, is it not?

Mr. McNAUGHTON. Well, I really do not know very much about the privately operated railroad refrigerator lines. I know this, of course, that they do not have the volume of business at a given point, waiting for the cars to arrive. There is necessarily more or less delay in parking cars anticipating a crop, connected with any car line that operates in a fruit and vegetable way, and in the very nature

of things, they cannot operate, to my mind, as efficiently as the packer operates his cars, because there is simply a seasonal movement, so to speak.

In the case of the packers, there is always a load waiting for a car.

Mr. ESCH. One is seasonal; the other is constant; would that be one difference?

Mr. McNAUGHTON. Yes, that has a very important part in it.

Mr. ESCH. What I am trying to get at is, whether there is as efficient service in these railroad-owned refrigerator car line services as there is in the packers' car line service?

Mr. McNAUGHTON. I do not think so, Mr. Esch.

Mr. ESCH. Would it be possible to recreate it and make it as efficient?

Mr. McNAUGHTON. I do not think so.

Mr. ESCH. Lie in the character of the personnel, or in the limitations under which it has to operate?

Mr. McNAUGHTON. It is more a question of limitations under which it has to operate. You can organize bureau, if you please, and put all of these cars into that bureau. They are then subject to common distribution according to the applicants and in the order in which they are applied for. Whenever you put a bunch of cars, say, 17,500 or 20,000, whatever the number may be, under one organization, you have got a pretty big job. It takes a wonderfully efficient organization to keep the cars going, and it seems to me it would be rather an unwieldy thing.

Then, you have got the seasonal proposition of crops. I know it is customary and perhaps an obligation on the part of the railroad to supply cars to meet the immediate situation; there is no telling how large a fruit crop is going to be, and they put the cars just where they want them the worst at the time. It is a sort of emergency proposition, and they let everything go to meet that one situation.

Here is a plant that can not be operated, or an industry that can not be conducted without having a car supply to take care of it.

Now, I would hate awfully to depend upon a railroad company, or any railroad bureau, or any bureau, aside from the one controlled by the packer himself, to furnish us with cars.

Mr. ESCH. Each individual packer, you mean?

Mr. McNAUGHTON. Yes.

Mr. ESCH. You do not see any possibility of coordinating the work of the packers in operating the refrigerator car itself?

Mr. McNAUGHTON. Well, I think you would have, to quite an extent, the same element of waste there.

So far as the repair facilities are concerned, while, of course, there may be greater expense attached to the operation of half a dozen plants at the same time, there is quite an efficiency there, too, due to the care with which the work is done and the promptness with which it is done. Altogether, I think a number of repair units is preferable to one, or a small number of repair facilities.

Mr. ESCH. Do those packer refrigerator cars—are they made and are they kept in repair by the packers, purely as a step—

Mr. McNAUGHTON (interposing). Purely as a step in efficiency?

Mr. ESCH. Yes, purely as a step in efficiency.

Mr. McNAUGHTON. Well, of course a car has got to be kept in shape, or it can not run; it must be kept in shape for efficient service. So I would say that was it.

Mr. ESCH. How many of the large packers make their own cars?

Mr. McNAUGHTON. I think most of them do.

Mr. ESCH. They, therefore, maintain their own repair shops?

Mr. McNAUGHTON. Yes, sir.

Mr. ESCH. Of course, out on the line the cars are repaired by the railroads?

Mr. McNAUGHTON. Not extensively at all; all they do is just to give them the—

Mr. ESCH (interposing). Once over?

Mr. McNAUGHTON. The once over, and push them along home. That is the reason I mentioned that; we have to do most of that work over again. If a car is side swiped, and has a siding torn off, and the insulation work, they do that work, I believe, indifferently. I do not say that in a criticizing mood, but because they do not know any better; they have not the force that is experienced in that line of work. So whenever we see a car that shows evidence of having been repaired in the body, or in any vital part, we simply go over it, and, as a rule, do the work over again.

Mr. ESCH. Does each of the big packers have its own standards of a refrigerator car?

Mr. McNAUGHTON. Standards? Yes, sir.

Mr. ESCH. Do they differ materially?

Mr. McNAUGHTON. Well, no; I should say not.

Mr. ESCH. Are the appliances patented, in large part?

Mr. McNAUGHTON. No, sir. Any packer can own a car as good as the Cudahy refrigerator car without paying any royalty or premiums; he can go to any manufacturing concern and get substantially, I say, as good a car as Cudahy, or Armour, or anyone else, without paying tribute to anyone, except the price of the car.

Mr. ESCH. The Director General of Railroads has come out strongly for standardization of cars. How many of the 14,000 cars that have already been built and delivered under the Railroad Administration are refrigerator cars?

Mr. McNAUGHTON. None of them—I am told.

Mr. ESCH. How many of the 100,000 cars that were ordered are to be refrigerator cars?

Mr. McNAUGHTON. None of them, that I know of.

Mr. ESCH. Notwithstanding the acknowledged lack of refrigerator cars, not only on the part of the big packers, but on the part of the small packers, there were no refrigerator cars to be included in the 100,000 cars ordered?

Mr. McNAUGHTON. I do not understand that the appropriation calls for any refrigerator cars at all.

Mr. ESCH. Are you in favor of standardization of cars?

Mr. McNAUGHTON. I think it is all right, up to a certain point. The standardization of the so-called running gear is all right. When it comes to the body and the insulation features, of course, you can not very well standardize those, although that might be done. I think it is all right. I see no objection to it.

Mr. ESCH. If you standardized them, it would enable the car repair shops throughout the country to more readily make your repairs.

Mr. McNAUGHTON. Well, there would be something in that.

Mr. ESCH. I understand that is one of the strong arguments in favor of standardization?

Mr. McNAUGHTON. Of course, on the general theory of refrigeration, as I see the situation, you have to-day, every one of the packers specializing, so to speak, to see what he can develop in the way of better car refrigeration. We do not feel that we have reached 100 per cent perfection. So that you have got that competitive element in there, and that interest, which is vital, of course, on the part of the packers, in trying to develop something better in the way of a vehicle that will move his meat from one part of the country to the other without damage.

Mr. ESCH. You gave some tables as to the refrigerator car movement of your own company, compared with the car movement of the regular owned railroad cars?

Mr. McNAUGHTON. Yes, sir.

Mr. ESCH (continuing). Showing that the Cudahy refrigerator car had a movement of 90 miles a day, while the railroad-owned car had only 30. But in that comparison you included all forms of railroad-owned cars, did you not?

Mr. McNAUGHTON. Yes, sir.

Mr. ESCH. That would hardly be a fair test, would it?

Mr. McNAUGHTON. Well, no; if the railroad-owned refrigerator cars are moved more than the average stated, of course, that ought to be taken into consideration, but—

Mr. ESCH (interposing). Well, is not that the fact?

Mr. McNAUGHTON. I think it very likely is. I have no figures on it, but I wish to say further that the figures I put in, Mr. Esch, are rather high.

Mr. ESCH. I think it would average 24 miles, instead of 30.

Mr. McNAUGHTON. Then you have got 6 miles difference to take care of, whatever increased efficiency there might be.

Mr. ESCH. But for our information the comparison ought to be between refrigerator cars. I do not know whether you could secure that data; if you can, I would be glad if you would put that in your testimony.

Mr. McNAUGHTON. Yes; I will see what I can develop on that; but I have never seen anything that shows the daily mileage of travel of refrigerator cars. However, if I can get it I will be glad to furnish it.

(Memorandum furnished later by Mr. McNaughton:)

In the original report of the Interstate Commerce Commission on the private care line matter, Docket 4906, the following figures appear, showing comparatively the miles per day of railroad-owned refrigerator lines as compared to packers' refrigerator lines:

Railroad-owned refrigerator lines:	
American Refrigerator Transit Co.....	39
C. F. D. (I. C. Railroad).....	51
Pacific Fruit Express.....	68
Santa Fe Refrigerator Dispatch.....	61
Packers' refrigerator lines:	
Armour & Co.....	75
Cudahy Packing Co.....	86
Morris & Co.....	71
Wilson Packing Co.....	70
Swift & Co.....	69

Mr. Esch. Yes; you stated in your testimony that the freight rate from Missouri River points to the Mississippi were the same for the live animal as for the meat product?

Mr. McNAUGHTON. Yes, sir.

Mr. Esch. But, when you cross the river—

Mr. McNAUGHTON (interposing). It jumps up.

Mr. Esch (continuing). There was a differential against the dressed meat of 21 cents a hundred, to reach New York.

Mr. McNAUGHTON. That is, the rate on fresh meat, or the product is higher than on the animal by 31 cents per 100 pounds?

Mr. Esch. Yes. Has that discrimination ever been brought to the attention of the Interstate Commerce Commission, prior to Federal Control of Railroads?

Mr. McNAUGHTON. Yes, it was complained about for a long time, in different proceedings. In fact, every time the rate was advanced, the attention of the commission was called to the fact that, by advancing the rates on a percentage basis, they were simply increasing the spread which, in the first place, was subject to complaint.

Finally, not being able to get any action through the railroads, after having worked for a long time to get them to recognize that there ought to be a better relationship in the rates, and citing everything that had been said and done by the commission and by the Supreme Court of the United States with respect to the question of relationship, we finally filed a formal complaint, Docket No. 7519.

Mr. Esch. When was that filed?

Mr. McNAUGHTON. That was filed three or four years ago. And the case was partially heard—that is, our side was pretty well presented; the railroads did not present any testimony. There was quite a long delay, for some reason or other, in completing the hearing; and in the meantime, the commission apparently being in receipt of a large number of complaints bearing on the same question, inaugurated an investigation of its own into the matter of relationship in rates between live stock and products, and covering all of the practices, etc., in connection with the transportation of live stock and products—Docket 8436. That case has never come up for hearing. It was set down once or twice, but I think the real reason it has not been heard is because of the railroads being taken over by the Federal Government.

Mr. Esch. That is, before it could be fully heard and determined, all the railroads were taken over by the Federal Government?

Mr. McNAUGHTON. Yes, sir.

Mr. PARKER. Have you finished on this topic, Mr. Esch?

Mr. Esch. Wait just a minute, please.

Mr. PARKER. I only wanted to ask him one question.

Mr. Esch. All right, go ahead.

Mr. PARKER. What is the average weight of a lot of cattle, as compared with beef?

Mr. McNAUGHTON. It runs about the same, in gross. I mean by gross the actual weight of the animal without deduction for shrink.

Mr. PARKER. In gross?

Mr. McNAUGHTON. Yes, sir.

Mr. PARKER. The car weighs less?

Mr. McNAUGHTON. The car, generally speaking, weighs less. The weight of the car is not in any instance that I know of used as

a basis for making rates. It might under certain circumstances be a factor, but we all know that one of the greatest economies made by the railroads in recent years is the result of increased capacity of freight equipment and all freight cars have had to be heavily reinforced in order to meet the new service condition growing out of increased train tonnage and switching and classification through the medium of gravity yards. We will take for example coal cars, there are three classes in service to-day: First, the all steel car weighing around 50,000 pounds; second, the wood body with under-frame reinforced by steel channels weighing from 40,000 to 45,000 pounds; third, the old-style wood construction car weighing 30,000 to 35,000 pounds. The freight rate is the same no matter which car is used.

In connection with stock cars, I recently saw some new steel frame cars weighing about 50,000 pounds. As before stated, the tendency is to increase the weight for economy in operation because it means less cost of upkeep and in case of wreck or derailment it minimizes the damage to the lading and all around it's a railroad economy that should not be reflected in the freight rate against any particular commodity.

Mr. PARKER. The value of the beef is nearly double that of the cattle, is it not?

Mr. McNAUGHTON. It is worth more.

Mr. PARKER. And I think one of the witnesses said about half of the weight of the cattle got into the beef?

Mr. McNAUGHTON. Well, there is more than that; there is about 60 per cent.

Mr. PARKER. So that there is some justification for charging more per 100 pounds for the beef, when you consider that you can use a lighter car, and that the material is more valuable?

Mr. McNAUGHTON. No, sir; I do not agree to that.

Mr. PARKER. That is what I was asking you?

Mr. McNAUGHTON. No. I say, those things may be factors, but there are other factors of equal importance. The volume of business, the amount of service required, the length of haul, and the cost of the service—all of which are material factors. And wherever those things have been passed upon, that is to say, wherever the question of relationship between the live animal and the product has been passed upon, there never has been fixed a rate on the product that was higher than the rate on the live animal, due to the fact that the transportation conditions generally favor the movement of the product. I will give you an illustration—

Mr. PARKER (interposing). Might I ask, however, whether a packing house in the East would not think that its raw material, weighing half as much again as the beef that will come out of it, ought to be brought to the eastern packing house in some fair competition with a packing house situated in the West?

Mr. McNAUGHTON. Well, the answer to that is this, as I take it. It is a transportation matter, purely a transportation question. Now then, the basis that is in effect to-day was established very largely upon the theory that you just state—

Mr. PARKER (interposing). Is that the theory that transportation charges should be what the traffic can bear?

Mr. McNAUGHTON. That is about the size of it. But of course, you have got to have some basis to fix the relationship; you are not, necessarily, dealing with a specific rate. In this particular case that you speak of now—take cattle versus product: The rates east from Chicago were established a great many years ago, without much regard to transportation conditions, but with a great deal of regard to the commercial side of the matter; and they did take into consideration the things that you just took into consideration in making the statement which you did, that the beef, or the meat end of the animal, we will say, ought to be transported with reference to what the product could be delivered at. In other words, they did not take into consideration the merchantable part of the animal, such as the hide and the bones and a lot of product that is not in the edible line—we might say the inedible part; they did not take into consideration the offal and a great many other things. The rate was established on the basis of commercial conditions.

The Interstate Commerce Commission in every case before it involving the question of relationship has emphasized these three facts:

First. That there is active and forceful competition between live stock and its products.

Second. That a relationship should be established between the rates on the two commodities.

Third. That such relationship should be established on the basis of transportation cost.

In *Chicago Live Stock Exchange v. Chicago Great Western Ry. et al.* (10 I. C. C. 428) the Supreme Court of the United States upheld the finding of the lower court in holding—

That the carriers had shown that they could and did handle fresh meat and packing-house products for less cost and with greater profit than live stock.

The principle of all the traffic will bear can not be fairly used alone in the case of the product and without regard as to what the rates are on the live animal.

Mr. PARKER. That is all I have to ask.

Mr. McNAUGHTON. All we wish is to have the rates on a fair basis.

Mr. ESCH. In shipping products from the Mississippi to New York, for instance, are the burdens upon the carrier greater for hauling the live product than for hauling the dressed beef refrigerator car? I have in mind now the icing charge where you send your refrigerator car; but where you send the live stock, under the 28-hour law, you have got to unload the live stock, feed it, water it, and reload it, have you not?

Mr. McNAUGHTON. Yes.

Mr. ESCH. How many times have you got to do that between the Mississippi River and New York?

Mr. McNAUGHTON. Well, practically once.

Mr. ESCH. That is all?

Mr. McNAUGHTON. I think so.

Mr. ESCH. How does that cost, compared with the icing cost upon the refrigerator car in the shipment of the products?

Mr. McNAUGHTON. I say it is a much more expensive operation to take a carload of cattle into a stockyard, spot it, unload the cattle, pay for the cost of unloading, and for the reloading. You have

either got to put the same car back there, or leave it there. The custom is to take it out and put it back again. It is equal to a local terminal service, to place a car at a stockyard for loading and unloading; it is just the same as if the shipment originated there at that stockyard, so far as the service goes.

Mr. ESCH. And its expense, as compared with icing is what?

Mr. McNAUGHTON. Well, of course, the feed is whatever it costs. The ice is at a stipulated amount per ton, published by the railroad company.

Now, let me illustrate the icing, if you please. As a rule, these shipments of products move in trainload quantities. They are iced in an icing plant which will take care of 35 or 40 cars at a time, along a platform. The train simply heads in on this track, and it stops when it lines up 30 or 40 cars on the platform. They may change engines there.

But, as a rule, it is merely a continuous movement right through in one end of the siding and out at the other; and unless it happens to be at a division point, where the stuff is broken up to go in different directions, it is a continuous movement, and there is very little work attached to it, and it is in no way comparable to the live-stock feeding proposition.

Mr. ESCH. Well, based upon that statement, the freight charge for live stock ought to be more than for the refrigerator product?

Mr. McNAUGHTON. Well, of course, that alone might be a comparatively small item; but when you consider everything attached to the movement of the live stock, and the furnishing of cars, and the efficiency in the cars—the refrigerators as against the stock cars; the amount of tonnage that is hauled—you have also some shrinkage that is allowed on live stock; I think it is about 1,500 pounds per car, from the Missouri River to New York; then you have got your caretaker, and the weight of the bedding that is hauled both ways.

One of the big items of expense in handling live stock is the cost of cleaning and disinfecting the cars. For sanitary reasons this cleaning work can only be done in certain isolated places. There is a very heavy expense attached to the movement of the cars to and from the cleaning place, as well as the cost of the work itself. In this connection the economy of the refrigerator car is again reflected, because such cars are cleaned by the owner—shipper—and without any extra handling and all at the expense of the shipper.

Stopping live stock for feed and rest and privilege of sale, also for cleaning and disinfecting of cars slows down the movement and in that way reduces the efficiency of the car, so that as compared with the refrigerator car it is much less efficient, and besides it will not carry anywhere near the tonnage carried in refrigerator cars.

Our per car loading for fiscal year ending in November, 1918, was as follows:

	Pounds.
Fresh meat, refrigerator cars.....	26, 227
P. H. P., lard, etc, refrigerator cars.....	47, 000
Hides, box cars.....	60, 000
Hogs in double-deck cars and cattle single-deck cars will load about.....	22, 000
Hogs, single-deck cars, about.....	17, 000

Mr. ESCH. And delays in transit?

Mr. McNAUGHTON. Yes, sir, they are liable for loss or damage; I do not know how serious that is. But live stock is a very much more delicate article to transport than fresh meat.

Mr. Esch. That is all.

The CHAIRMAN. Mr. Stephens, have you any questions?

Mr. STEPHENS. Mr. McNaughton, what effect would the difference in the price be on the meat and the live animal have on the concentration of cattle at the market? For example, you state that there is 30 cents difference in the freight charges from the Missouri River to Chicago?

Mr. McNAUGHTON. Yes, sir—the freight difference from the Missouri River to New York is 31 cents.

Mr. STEPHENS. Yes. Well, now, the higher the freight on dressed meat, the more would there be a disposition to ship the live animal?

Mr. McNAUGHTON. Yes, sir.

Mr. STEPHENS. So that it would enable the distribution of live animals through a wider section of the country for slaughtering?

Mr. McNAUGHTON. Yes, sir.

Mr. STEPHENS. And would not that really be an economic waste?

Mr. McNAUGHTON. It would be an economic waste.

Mr. STEPHENS. Yes. Would not that be a waste, because the animals ought to be slaughtered where they are produced?

Mr. McNAUGHTON. We think so.

Mr. STEPHENS. To save shrinkage?

Mr. McNAUGHTON. We think so. At the same time, I think the product rates and the rates on the live animal ought to be balanced up on the basis of transportation cost, whatever it is; and if we are wrong, we will take our medicine, and if the other people are wrong, they ought to do the same.

I think the product ought to move wherever it will; the live stock ought to move wherever it will, after you have got your rates properly balanced. In other words, I do not think any freight rate adjustment ought to overcome a natural advantage. If a man has located his plant out where the live stock supply is, I do not think any advantage which he might otherwise have should be taken away from him through an adjustment of freight rates, that makes it advantageous for the same animals to go down to New York, and there slaughtered and sold, under the same terms, or even more favorable terms.

Mr. STEPHENS. There are no cattle shipped to New York, except for the Jewish trade there, are there?

Mr. McNAUGHTON. I think primarily the kosher trade takes the cattle. But you understand that the kosher part of the steer is only 25 per cent of it; and the other 75 per cent of that steer goes into the regular commercial lines and is sold in direct competition with the products shipped in from the West.

Mr. STEPHENS. Still, the shipments are primarily for that trade; otherwise they would not be made.

Mr. McNAUGHTON. That is what I am told. Anyhow, that applies to a large extent.

The CHAIRMAN. You stated, as I recall it now, that these refrigerator cars, or meat cars, had to undergo inspection by the Department of Agriculture. Is that correct?

Mr. McNAUGHTON. Well, they do undergo inspection by the Department of Agriculture.

The CHAIRMAN. I mean, they do; they have to under the law, whether they ought to or not?

Mr. McNAUGHTON. Yes, that is right.

The CHAIRMAN. Now, these inspectors inspect the railroad-owned cars as well as the packer privately owned cars, do they not?

Mr. McNAUGHTON. Yes; and by the way, we wash the railroad-owned car too, the same as we do our own.

The CHAIRMAN. When you use them?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. It has been frequently said here during these hearings—the language used by the different witnesses might be different—that the railroads could not be relied upon to keep the cars clean and sanitary. I mean like the private packer would do. What have you to say about that?

Mr. McNAUGHTON. I believe that would be true.

The CHAIRMAN. Well, if the same inspectors inspect both, would they permit a railroad car to pass inspection if it was not in good condition?

Mr. McNAUGHTON. No, sir.

The CHAIRMAN. They would not?

Mr. McNAUGHTON. I do not think so.

The CHAIRMAN. Then, how is it that they have one sort of cars for the railroad, that pass inspection of a different sort from that of the private packers? Why do they not hold the railroad standard up to the standard of the private packer—I mean in the way of sanitation and cleanliness?

Mr. McNAUGHTON. Oh, I think they do. I think the same requirements would be exacted of the railroad cars. I did not mean to testify otherwise.

The CHAIRMAN. I know you did not—

Mr. McNAUGHTON (interposing). The same standard of cleanliness would be exacted in either case.

The CHAIRMAN. Then, so far as cleanliness and sanitation is concerned, it all passes under Government inspection?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. The railroad cars, then, would have to be equal to the packers' cars, unless the packers kept theirs above the standard requirements?

Mr. McNAUGHTON. Yes. Of course, we all feel that the railroads would never keep their cars up to the requirements.

The CHAIRMAN. Well, if they passed inspection—

Mr. McNAUGHTON (interposing). The inspection only goes to the cleanliness.

The CHAIRMAN. I have reference to sanitation

Mr. McNAUGHTON. Yes; of course the cars have to be cleaned and in sanitary condition, or they could not be used.

The CHAIRMAN. You made a statement, and I think you are right; but, because I think so, it does not prove that you are, because I am not an expert. I understood you to say that the freight rate should be based on transportation cost?

Mr. McNAUGHTON. I think so. When you get away from that you are in trouble.

The CHAIRMAN. You are in trouble?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. You are in trouble and you are doing injustice to transportation?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. Are there any blanket rates in the movement of cattle or packing-house products?

Mr. McNAUGHTON. Well, generally speaking, no. Of course, there are blanket rates from cattle producing sections, and especially in Texas they are blanketed in a certain zone, making one rate applicable for the entire zone.

The CHAIRMAN. I believe some of the packers—I do not know how it is with your company—pack or can vegetables and fruits. Now, from the Pacific coast east, are there not very latitudinous fruit blankets?

Mr. McNAUGHTON. Well, of course, the coast-to-coast rates are largely blanket rates; they cover from one end to the other; that is, from the north to the south coast there is the same rate; it is called the "postage stamp basis."

The CHAIRMAN. I will not depend on my memory in this; but my recollection is that the carload blanket rate on fruits, citrus fruits, especially, from Pacific coast terminal points to as far east as Denver is \$1.15 a hundred?

Mr. McNAUGHTON. I think that is about right.

The CHAIRMAN. And from the identical same points to Chicago, New York, Philadelphia, or Boston it is exactly the same?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Now, is it not a fact, that the distance from, say, Los Angeles, or any of those terminals there, coast terminals in California, to Denver, or a point as far east as Denver—is it not about 1,000 to 1,200 miles, or something like that?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. And from there to the Atlantic coast terminal points, like Boston, New York, Philadelphia, etc., from there, it is about 2,000 miles?

Mr. McNAUGHTON. That is about right.

The CHAIRMAN. Therefore, the rates from the Pacific coast points on fruits—for the first 1,000 or 1,200 miles is all it is reasonably worth to carry the same fruit 3,000 miles, or else they charge the person who ships to those nearby points three times what is reasonable?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Does not that look like injustice?

Mr. McNAUGHTON. Yes; and of course, when you try to find inconsistencies in freight rates you are lost.

The CHAIRMAN. That is one trouble.

Now, right at this time there is a matter being agitated and being considered by the Railroad Administration, and whether also by the Interstate Commerce Commission. I do not know—with reference to freight classifications, with a view of having the freight paid for movement something along the mileage rate, plus terminal charges. That is, that is the basic principle. And as you are a traffic man, and have had a great deal of experience along similar lines, I wanted

to ask you what you thought about such a rate structure as that? I mean, in a large way; I do not mean getting down to specific details as to specific distances?

Mr. McNAUGHTON. Yes. Of course I do not know enough about what is proposed to give a very comprehensive idea about that.

The CHAIRMAN. I do not either; I said along that line.

Mr. McNAUGHTON. Generally speaking, I think the tendency of things is to make the distance scale more of a factor. How that can be worked out is a problem. Our business is built up, you know, on the basis of the present adjustment, if you please.

The CHAIRMAN. I did not have reference specifically to your business, but of course they are all related?

Mr. McNAUGHTON. Well, I mean the business of the United States is built up on a certain basis.

The CHAIRMAN. Oh, yes, that is correct.

Mr. McNAUGHTON. Whenever you go to this distance scale you are going to confine the movement of commodities within a certain radius or a certain territory. There is a great deal to be said for that. We have all gotten into a world movement. Now, of course, on a strictly distance scale basis you have your limitations fixed—and it is a big question and I really would not be competent to pass upon it.

The CHAIRMAN. Well, I am not undertaking to bring about such a readjustment. Until business has had time to adjust itself to a scale of rates based on distance there would be disturbances. I do not think there is any question about that.

Mr. McNAUGHTON. That is correct.

The CHAIRMAN. But when it is once established and business once adjusted to it would it not appear to be a more just and normal condition and one that would in the end prove more satisfactory to our industries?

Mr. McNAUGHTON. I think in the end the carriers have got to be paid for what they can do. I do not think that you can trim it down to any one line of business; but in a general way the cost of service, of course, must enter into it. The cost of service, by the way, is always a difficult thing to determine—the exact cost; it is just about the same as a packer trying to determine in advance what his product is going to cost him.

The CHAIRMAN. A reasonable cost approximation is about as much as can be hoped for, I suppose. You packing house men do not live in that section of the country of course—but we have had a great deal of contention, ever since I have been a member of this committee, with reference to what is now called the fourth section of the interstate-commerce law, the long-and-short-haul clause.

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Congress passed a law providing that you could not charge more for a shorter than for a longer haul on the same railroad in the same direction. But as soon as the Panama Canal was put into operation the railroads filed application to permit them, in a way, to violate the section; in other words, to suspend the literal application of the fourth section of the interstate-commerce law, so that they, in effect, could move freight from the coastal points from the west to the east and from the east to the west at such a rate as would prevent the freight from actually going through the Panama Canal.

Mr. McNAUGHTON. Yes.

The CHAIRMAN. And at present the people of the United States, who paid for that canal by taxation and who have got to maintain it by taxation, are deprived of their return that would have come in the full use of the canal?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Now, as a traffic man—not with particular reference to your particular products—but as a traffic man, do you not think it a bad policy to permit railroad companies to take products for less than a profitable rate to themselves, the effect of which, as in the case of the Panama Canal, is to put a burden upon the taxpayers of the United States and render the canal useless, so far as coast-to-coast traffic is concerned?

Mr. McNAUGHTON. Well, I think it is bad policy, of course, for a railroad company to render any service at less than it cost. I think the tendency is bad, because somebody has got to pay the burden of that.

In the aggregate the carrier has got to have sufficient money for its legitimate purposes. Now, if they haul one line of freight too cheap, somebody else has got to pay the bill.

The CHAIRMAN. And the same thing applies between points having inland water competition?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Or what they sometimes call “potential water competition”——

Mr. McNAUGHTON. Yes.

The CHAIRMAN (continuing). Applies equally between different points in the United States?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Now, does it not necessarily follow that if a railroad company which does a considerable amount of business at less than profitable rates, the portion of the business not subject to such competition has got to be done at a greater cost to the shipper?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. And is not that a rank injustice?

Mr. McNAUGHTON. Well, I would hate to use that kind of language. Mr. Chairman.

The CHAIRMAN. Well, I was the one that called it rank injustice.

Mr. McNAUGHTON. They might arrest me for saying that. [Laughter.]

The CHAIRMAN. Now, we have got a lot of railroad legislation to consider; and regardless of private or public ownership and whatever figure that may cut, it does seem to me that the people of the United States should be entitled to enjoy what you have called—and justly so—their natural advantages?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. Or, at least, not have them destroyed by discriminating freight rates?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. I have asked you these questions because I knew these matters were coming before this committee pretty soon: and we have got to consider all of these subjects.

Mr. McNAUGHTON. Yes.

The CHAIRMAN. And I thought it would be very useful, as you are a traffic man, to get your views; your views are what I wanted, more than anything else, because I think they have value; and I certainly agree with you, fundamentally, as to what you have stated in that connection.

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. Now, you agree with these other gentlemen—I believe you have heard it stated that the private-car service employed by the packing companies, that they actually sustain a substantial loss on that feature of their business?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. Well, I have asked the question over and over again, until I suppose all are getting tired, but is it also your view that that loss will have to continue, if business conditions continue as they are?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. How is it economically possible—of course, it is possible; but by and large, how is it possible—for packers who are not able to own their own cars and have to depend on railroad-furnished and railroad-operated cars, how can they economically compete with those who do own them and operate them at a loss if they themselves are not able to own and operate them in the same way?

Mr. McNAUGHTON. Well, it seems to me that the fellow that does not own the cars has got the advantage over the fellow that does.

The CHAIRMAN. The company that does own them is losing money; but the company that does own and operate them gets the business, does he not?

Mr. McNAUGHTON. Not necessarily, because the fellow that gets his cars from the railroad is better off than the packer that owns his own car, naturally.

The CHAIRMAN. Well, he has got a car which is not as clean and sanitary, and the public would be alarmed and warned against such a thing?

Mr. McNAUGHTON. The railroads have lots of cars that are used; we use lots of them ourselves for the transportation of cured products.

The CHAIRMAN. That is, other things than beef?

Mr. McNAUGHTON. Yes. Of course, the packer who does not have the carcass stuff, or the fresh meat to handle, really gets along pretty well without any cars, because the railroad cars are quite serviceable for that trade. The carcass stuff is the thing that really compels the car supply on the part of the packer.

The CHAIRMAN. Well, do you not think that, in the public interest, it is economically wise that all the elements of value in a food animal should be realized?

Mr. McNAUGHTON. Surely.

The CHAIRMAN. Therefore, a company large enough to do all of those things and realize all of those elements of value, are they really not rendering a public service in so doing?

Mr. McNAUGHTON. May I ask you to repeat that?

The CHAIRMAN. Therefore, a packing company that is large enough to be able to secure to itself all the elements of value, in the way of by-products which the meat animal is capable of producing, is really rendering a public service?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. And unless that is set off in some other direction, would not that be in the interests of the producer in enabling the packer to pay him a better price for his cattle?

Mr. McNAUGHTON. Yes, sir.

The CHAIRMAN. Would it not also be in the interests of the consumer who purchases all of these products, or at least some of them?

Mr. McNAUGHTON. It certainly would.

The CHAIRMAN. Then the industry can not develop to its best advantage for the public, and for the producer and the consumer, unless it goes through channels able to get all there is in it—I mean, channels of manufacture?

Mr. McNAUGHTON. Yes; if the packer could not make use of the offal it would be an absolute loss.

The CHAIRMAN. Well, I said all of it—the blood in the animal and the kin; whether or not the packers are going beyond what the public interests demand, going beyond what is financially and economically wise, and are going into lines of manufacture which it may be should be in other people's hands, is a different question?

Mr. McNAUGHTON. Yes.

The CHAIRMAN. But I said, limiting it to the value in the live animal that is slaughtered. Now, does your company manufacture the same kind of by-products—I mean coming from the meat animal—that the other packers do, largely?

Mr. McNAUGHTON. Now, Mr. Chairman, I had no intention of testifying on that. Mr. Creigh, who will follow me, I think, can answer that question, and any question that you ask about the operating end.

The CHAIRMAN. You appeared before the committee on questions of traffic?

Mr. McNAUGHTON. Yes, sir; on questions of traffic.

The CHAIRMAN. And I suppose, therefore, that you are acquainted with the traffic that your company handles?

Mr. McNAUGHTON. Yes, sir; I do know about that.

The CHAIRMAN. And I wanted to know what you handled?

Mr. McNAUGHTON. Yes; we do produce, in a general way, the same products of the animal that are produced by others.

The CHAIRMAN. So far as manufacturing conditions and trade conditions are concerned, you are on the level with the larger packers—I mean as to the products of the animal?

Mr. McNAUGHTON. The products of the animal, yes, sir.

The CHAIRMAN. Well, I do not believe I care to ask you any further questions. We are very much obliged to you for your statement, which seems to have been very frank, and very full, and very important.

Now, I believe either Mr. Wilson or Mr. Cudahy is present and ready to appear before the committee.

FEBRUARY 8, 1919

Mr. V. L. ALMOND,

Clerk, House of Representatives

Committee on Interstate and Foreign Commerce,

Washington, D. C.

DEAR SIR: I received yesterday, your letter of the 31st with stenographic transcript of my testimony, and have gone over the same, making corrections

In pencil and certain insertions as indicated at the particular point where it is desired to make such insertion.

In this connection I am inclosing copy of letter addressed to Mr. Esch, being in reply to his inquiry for a comparison between the railroad and the packer refrigerator car, in the matter of movement. I think this letter draws the comparison concretely and brings out some features that will undoubtedly be brought to the attention of the committee by Mr. Esch, but for convenience sake I am sending a copy to you, so that it may be used as a part of my testimony if that is the pleasure of the committee.

When the testimony has been rewritten and shaped up, in accordance with the changes and additions made, I am wondering if I can get about two copies. We shall, of course, be glad to pay whatever expense may be attached to it. The file is returned intact, as requested.

Yours, truly,

J. A. McNAUGHTON.

FEBRUARY 6, 1919.

Hon. JOHN J. ESCH,
Interstate Commerce Committee, Washington, D. C.

MY DEAR SIR: Since returning home last Monday, I have made inquiry of several railroads and find that they do not keep a separate record of the daily travel of refrigerator cars. The Burlington people thought refrigerator cars might move 3 miles per day more than the general average for all equipment and if that is so, then the figures I gave to your honorable committee are quite conservative.

The nearest I can come to giving you what you want is to take the railroad owned, but privately operated, refrigerator cars which, of course, are more efficiently operated than the railroad operated refrigerator car. In I. C. C. Docket 4906, page 715, it is shown that cars of the American Refrigerator Transit Co., Central Fruit Despatch, Pacific Fruit Express and Santa Fe Refrigerator Despatch Co. had a daily mileage travel which figures an average of about 55 miles per day. Page 690 the commission said—

"From other figures in the record, it appears that cars of the packers have the largest daily movement, approximately 75 miles."

The figures I gave to your honorable committee were based upon the actual performance of Cudahy refrigerator cars for the 5-year period 1914 to 1918, inclusive, amounting to 90 miles per car day and the comparisons and conclusions stated were based upon the average travel of 50 miles per day for railroad owned and operated refrigerator cars. Now, considering the matter on the basis of 55 miles per day for railroad owned, but privately operated refrigerator cars and 75 miles per day for the general average of packers' refrigerator cars the relative efficiency is at 1.36 per cent in favor of the packer's car, or one additional privately operated railroad refrigerator car in each 3 cars shipped; in other words, each packer car is equal to about 1½ privately operated railroad refrigerator cars.

	Miles per day.	Days for round trip between Omaha and New York (3,000 miles).	Miles per hour.	Round trips in 365 days.
Privately operated railroad refrigerator car.....	55	54	2½	7
Packers' refrigerator car.....	75	40	3	9
Difference in favor of packers car.....	20	14	½	2

FREIGHT EARNINGS.

Privately operated railroad refrigerator car, \$215.60 per trip (22000# at 98 cents), \$1,509.20 per year; packers' refrigerator car, \$215.60 per trip (22000# at 98 cents), \$1,940.40 per year; difference in favor of packers' car, \$431.20 per year.

Cost of furnishing privately operated railroad refrigerator car, 2 cents per mile (3,000 miles), \$60; add one-third to get equivalent efficiency, \$20 (\$30 per trip); \$560 per year.

Cost of furnishing packers' refrigerator car, 1 cent per mile (3,000 miles), \$30 (\$30 per trip); \$270 per year; packers' car saves railroad per year, \$290; making total saving to the railroad of \$721.20 per year. (Increased freight earnings and saving in cost of furnishing cars) which applied to only the cars of the five packers (17,500), makes an annual saving of \$13 621,000.

While the figures just quoted somewhat reflect what this difference would amount to, they, of course, do not go to the increased investment, which would be something like this: The present cost of a fresh meat carrying refrigerator car is about \$3,000, since it would require about one and one-third railroad privately operated refrigerator cars to perform the same service, within the same time now performed by one packer's refrigerator car, the increased capital investment would be one-third, amounting to \$1,000, making the total investment \$4,000 instead of \$3,000 per car. At this ratio, you will see at a glance what even 20 miles per day additional movement means in the way of efficiency and the enormous saving, and in that way get a fair idea of the vast sum that is involved in the yearly operation of some 17,500 refrigerator cars used by the so-called five larger packers for the transportation of their products.

As stated to your honorable committee, cars owned by the five larger packers represent only 27 per cent of the total privately owned refrigerator cars in the country (p. 659, I. C. C., 4906) and that all the privately owned refrigerator cars in the country represent something less than one-third of the total private cars in the country (all kinds).

Assuming that it is the intention to avoid class legislation, it seems important to know how extensive the private-car industry is and the enormous amount of capital represented. The commission (p. 660) says:

"At a conservative estimate, the amount of money invested in these cars is \$250,000,000."

As stated to your honorable committee, if that was the value at the time of the hearing, then the value to-day would be easily double, making \$500,000,000 and this amount does not consider the building, rebuilding, and repair facilities.

Again, going back to the comparison between the railroad privately operated refrigerator car and the general average of the packer's refrigerator car, if it would require one-third more cars to do the same amount of work that is now done with the present packers' equipment (17,500 cars), that means 5,833 cars at present value (\$3,000 each), an increased investment of \$17,499,000, coupled with which comes the additional cost of upkeep, operation, and cost of handling the increased gross tonnage, etc.

I trust the figures and comparisons made may be of some value to you and your honorable committee in considering this very important matter.

Yours, respectfully,

STATEMENT OF MR. THOMAS CREIGH, REPRESENTING CUDAHY & CO.

Mr. CREIGH. Mr. Chairman, I have a short statement I should like to make. I know the committee must be very tired of the packing-house situation.

The CHAIRMAN. You may go ahead.

Mr. CREIGH. As I said, I think you must all be tired of the packing-house situation. And yet, from the standpoint of the Cudahy Packing Co., which has what we regard as some pretty important interests, we hardly feel as if we should let the opportunity pass without saying something in connection with the particular conditions that apply to our company's situation.

I am asking to have passed around to you three little items of printed matter, not that I expect to read these items into the record, or to bother you with considering all of them in detail; but it has occurred to me that, possibly, in the method of presentation of what I want to say briefly, we can use these pamphlets a little and perhaps get a different point of view and a somewhat different angle of discussion that will be of interest to the committee.

In that respect, I would be very appreciative if you gentlemen would take the smaller pamphlets, which we have entitled "The Position of the Cudahy Packing Company" in respect to the Fed-

eral Trade Commission growing out of its meat summary; and if you will turn to page 38 of that.

The CHAIRMAN. Do you wish to consider this as read—any part of your statement? If so, you can refer to the page numbers?

Mr. CREIGH. Well, if you will permit me to read from page 38, and if you will follow me in doing so, I think we can weave in quite a few things that have direct application to the bill.

The CHAIRMAN. All right; go ahead.

Mr. CREIGH. On this page 38 begins a memorandum made by me personally—and this is in connection with the efforts that we made to get a hearing before the Federal Trade Commission, and in connection with certain of the practices mentioned in the memorandum, as a ready means of reference, to the summary which the Trade Commission had put out just about that time, which lead to certain points and indications there, showing, at least, certain items, which we say are illustrative of the Trade Commission's entire report as regards our company.

In other words, most of the mention that is made of us is either inadvertent, or clearly erroneous, or, inconsequential, or something that ought to have been explained.

Now, I think we can get the best idea on that, and possibly it will have some reference to the bill, if you will just let me read that particular portion.

The CHAIRMAN. Just read it in your own way.

Mr. CREIGH. This memorandum was made on Friday, August 28, 1916.

I will skip to the middle of page 39, showing a general idea of the Trade Commission's attitude within a week after the summary was put out.

I began my statement by outlining the position of our company, as feeling that the commission desired its report to be accurate and fair, the same as I had expressed it to Mr. Bracken previously. I stated that at that time we did not wish to be regarded as appearing before them with a general complaint respecting the proceedings or the method under which they had been conducted, or the report itself, or the conclusions of the commission; but that what we did desire was to point out to them a few out of what we regarded as a very large number of places where mention was made of our company and the facts incorrectly stated, with a view to asking the commissioners themselves to examine what, if any, evidence the commission had upon which to base the statement; and, later on, if that were possible, to discuss with me the items of evidence which might be produced (if any), in which case I prophesied to them that I could quickly make such explanation as would make them realize that the statement was entirely incorrect. Furthermore, I assured them that I felt I could point out, as illustrative, a number of places where damaging and extreme statements were made and where I felt sure the commission would be interested with me in knowing whether or not they had any evidence at all upon which to found the charge or the statement. Of course the chairman and Mr. Murdock acquiesced in the statement that they desired to be fair and accurate and stated that they would be very glad if I would point out to them any portions of the report which I felt could be justly criticized by us.

Then I proceeded to call their attention to the following items (as nearly as I can now recall), which I stated were illustrative of what I had in mind, as to which I hoped that they would call upon their subordinates to produce such papers or other evidence as they had as the justification or foundation for the charge or statement. I stated to the commissioners that of course I felt that they personally had not examined all the mass of testimony and statements which had been procured during the year's investigation, that I felt that this would be impossible, and they agreed with me.

I also suggested to them that I thought it was unfortunate that the summary had gone out containing the commission's findings without the case having been either argued by anyone on behalf of the packers or without their having had any opportunity to either appear to cross-examine witnesses or to put in any testimony of their own. I stated that I understood, however, that the Heney hearings were conducted on behalf of the commission only, and that it had been distinctly stated that no attorney or other person representing the packers and no witness on behalf of any packer would be permitted to appear. This statement also was acquiesced in.

The first item, I think, to which I called their attention was page 39, respecting the matter of three confidential employees of Swift & Co., whom it was stated had been sent to Washington to investigate and report on the status of the so-called Borland resolution. The commission's summary proceeds to state:

On April 10, 1916, they prepared a long joint memorandum, copies of which were sent to the principal officials of each of the five packing companies, etc.

I stated that I should like to see whatever evidence the commission had on which to justify the statement that a copy of this had ever been sent to our company or any of our officials.

If I might interpolate there, I found in the Senate hearings that the same letter, this letter which is very important, at least to the packing-house people, has been again introduced in those hearings. This time it comes up in a little bit different form. It is said that there is something on that that showed I received a copy of that letter. I am trying to get a copy of the record to find out where it appears in the record, and I still am unable to ascertain what in the world there was about that letter upon which the commission justified the statement that I received it, for I most certainly did not. In that connection I will say I think the receipt of the copy of the letter would be nothing discreditable at all, but the mere assumption of somebody from somewhere out of the clouds that I had received a copy of the letter and then goes ahead to justify itself for the following statement, as it appear in the summary where it says [Reading:]

I then called their attention to the statement following on page 39, after the quotation from the alleged report, covering the charge that "the Big Five proceeded to take the following steps": The raising of a joint fund of \$15,000 flooding Congress with telegrams, etc.; employment of Mr. Colin H. Livingston; and I stated that so far as our company was concerned we certainly never participated nor knew of any of the items mentioned.

And that position is entirely correct, for I can show to you that we had nothing to do with it. I do not wish to say there was anything in the slightest degree discreditable about it. The proposition

I wish to emphasize here is to try to show you gentlemen something of the aspects upon which the trade commission's summary and this later report have been prepared, and it seems to me that, as many of the other packers have put in various things here, there is somewhat of an indication that there is at least a possibility that many of the statements in that report are not prepared under any basis of evidence or of facts to warrant their being believed, and we contend for our company that that is entirely the case with practically every place where mention is made of us. [Reading:]

I stated that I hoped the commission, throughout the entire conference which I was having with them, would not regard the fact that I was pointing out things respecting our company solely was to be taken as an indication that I believed that the statements respecting any of the other packing houses in the same or similar connections were true; that, of course, I knew accurately the business and details of our company, which I was going to discuss; that I believed each of the other packers probably had similar knowledge of their own affairs which they in proper season would discuss for their own account. I believe there was some general discussion by various of the commissioners respecting the items which I have just mentioned as appearing on page 39, as to which they asked me several questions, but on all of which my answer was that we not only did not participate in but did not know of any of these matters having occurred.

That is in connection with the Borland resolution. The only activity our company took in connection with that was my appearance before the subcommittee on the Judiciary, and I think the statement respecting the packing-house situation was a fairly meritorious argument on that bill.

I then proceed to page 38—page 38 referring to this summary—calling their attention to the memorandum from Henry Veder to W. B. Traynor, as it appears quoted on that page. I stated that I, of course, did not know anything as to the correctness of this memorandum.

I do not know whether you have the summary before you or not. It is simply a note from Mr. Veeder to Mr. Traynor, reading as follows:

You asked me the other day for certain percentages which are generally known as the "usual percentages." A great deal of emphasis is always laid upon this.

On July 30, 1913; L. F. S., N. M., and T. E. W. agreed with C. and S. & S.—these merely being certain initials—upon the following percentages to cover general legislative and litigation matters.

Then certain percentages are given, and "C." was stated as giving 10 per cent. That letter is dated August 23, 1916.

Now, continuing my reading on page 41. But I admitted that I did know that as regards general legislation and litigation matters, there were certain instances in which the Cudahy Packing Co. (or its predecessor company, what we call the "Illinois Corporation") had participated and had paid 10 per cent. I explained that in the last three or four years I could not recall as many, I thought, as 10 items in which we had participated; that these were all litigation matters; that no legislative matters had been participated in; that the litigation matters were all entirely proper proceedings in which the entire trade was interested, such as litigation respecting pure food laws or city ordinances, or national regulations, where there appeared to be some conflict or something impractical or unconstitutional which

should be corrected. I stated that I did not think that within the period which I had mentioned there had been spent by us as much as \$6,000.

Then I called the commission's attention to their analysis and interpretation which immediately follows the quotation of the memorandum itself on page 38, and particularly the part where, on page 39, comment is made that certain individuals representing three companies came together and agreed upon certain fixed percentages to be known as the usual percentages "for use in the settlement of 'general, legislative, and litigation matters.'" I called their attention to the comma appearing after the word "general" in their comments on page 39, and to the fact that it does not appear in the copy of the memorandum on page 38. We had considerable discussion, and the commissioners admitted that the comma after the word "general" certainly enlarged the statement as to the purposes or matters in which the percentage was used to a very high degree.

I said that while I was familiar with the use of the percentage in handling of litigation matters, which I had mentioned, I knew for a fact that there was no general expense or other matter as to which our company had any agreement with any of the other packers for the settlement of bills or handling of any general items of business, and I stated that it seemed to me that the insertion of the comma after the word "general" was of a type similar to many other places in the report, where a certain incident or item is mentioned and then an extremely broad conclusion based upon it.

I then called the commissioners' attention to a number of places where, respecting the foreign trade and the foreign investments of the different companies, mention is made of packing plants, etc., being owned by four of the packers, naming them, the Cudahy Packing Co. having been omitted, and properly so, because they had no such investment; but that when the general charge is made as to the probability of this country's being involved in its diplomatic relations with the other countries on account of the practices, the charge was immediately made that "the Big Five" were the ones to be condemned. I stated that, of course, I was not indicating that I would condemn any of the other packers, because I did not know anything respecting their business, but that certainly I thought the Cudahy Packing Co. had a fair complaint to make when in one paragraph of the report mention is made specifically as to the ownership by other companies than ours of these foreign properties, but we, nevertheless, in the succeeding paragraph are charged with some doubtful practice or some general conspiracy.

As typical of another situation, where a very small item is taken advantage of to make a very broad general assertion, I cited them to page 9, where it was stated that in connection with the difficulties which the commission had had, that:

We know also that the five packing companies--Armour, Swift, Morris, Wilson, and Cudahy--conspired together in the preparation of their answers to the commission's inquiries, to the end that all should agree.

I stated that, of course, I did not know what evidence the commission had upon which the charge was based, but that certainly the charge was not correct so far as our company's affairs were concerned. Then I called their attention to the Traynor memorandum appearing

immediately following, and stated that that memorandum referred to the four questions which had been sent out by Commissioner Davies, none of which related to the intimate or business affairs of any one company, but which were of a general nature, as, for instance, "Why are the prices for meat high?" That I felt it was entirely proper, from the standpoint of giving accurate and complete information to the commission, that I should discuss with anyone of the packers who was interested in the answers which we proposed to give.

I furthermore said that I personally had prepared our answer to these questionnaires; that the questions had been submitted to all our department heads; that a large mass of information was brought together and then worked into the form of a printed pamphlet, and that in connection with its being put into final form I brought the pamphlet in printed proof form to Washington and had conferred with the commission's staff and one of the commissioners respecting it, and had secured their, at least tacit, consent to our putting it in printed form; and, furthermore, after this had been done we had circulated the printed copy to the number of several thousands to the commissioners themselves, to their staff, to Congress, cattlemen, and to all whom we thought would be interested in the subject of the packers' economic situation. I stated that we had not consulted with any other concern in the preparation of any report, with the exception possibly of this Davies questionnaire, and that in that case such consultation had not changed the reply in any particular or the facts, as it did not seem to me as though there was the slightest basis of any charge of a conspiracy.

In that connection, gentlemen, the larger pamphlet which I have had given to each of you is the pamphlet questionnaire referred to in what I have just read.

This "Statement submitted by the Cudahy Packing Co. respecting the problems, prices, and profits of the packing industry" is our answer to the Davies questionnaire, and of course we may have a little egotism about this pamphlet, but let me just say, if you will pardon me, and I will refrain from reading it to you, that I think there is really about as much compact statement about the economic situation about the entire packing industry and the causes of high prices and percentages and the thousand and one things which have been the basis of various questions put in the committee and that you will find some perhaps rather new ideas, or at least a little different method of expression, and while this pamphlet is not up to the date of the present time in 1919, nevertheless the figures are substantially all about the same and the principle is about the same, and some time when you have a few moments or want to get at something I believe you will find that a pretty fairly compact statement of the packing industry.

The CHAIRMAN. We will be very glad to have it.

Mr. CREIGH. Then I called their attention to the item appearing at the bottom of page 8 in connection with these charges of conspiracy as to "combing" of the company's files, where it is stated that "G. S. Shepard, vice president of the Cudahy Packing Co., admitted that he had ordered his stenographer to make an incorrect copy of a letter, etc., and had himself destroyed the document." I then said

that I had come to Washington without reading the report, of which I had sent copies to our Chicago office, and that without consultation with me or any question from me, Mr. Shepard had just sent in to me a wire which I desired to read into the record and which was as follows:

Just finished reading pamphlet you sent. Please note the bottom of page 8. As you know, correspondence mentioned was of a personal nature and Mr. Haines readily agreed to elimination of such portion as was irrelevant to the purpose of the inquiry. Next day he came back for the complete letter, but as it was of no importance I had discarded the same the day before. The whole transaction was done openly and with his consent.

I stated that the Mr. Haines mentioned was one of the commission's investigators, who had come to our office and who had been given free access to our files, and that I remember his having been there and the circumstance of the letter from which an item of what I thought was a personal criticism made by Mr. Shepard upon one of our other officials had been eliminated; that the criticism had no possible relation to the investigation and that I knew at the time it had been done and with Mr. Haines's consent. I stated, furthermore, that I knew a number of times in the commission's practice when similar situations had arisen, and that I understood that they fully sanctioned the matter of protecting individuals' reputations from the possibility of the publication of personal memoranda and the prevention of the encumbering of the commission's records with a lot of matter which was not of public concern, and I think the commissioners acquiesced in that statement as regards their practice.

I then stated to the commission that the foregoing constituted examples of a good many very important charges as to which I hoped that they would make the necessary effort to procure the evidence in their files, if any, and that then they would give me the opportunity of going over the matter again with them with the idea of correcting any unjust or erroneous statement which might then appear to have been made as affecting our interests.

I was then asked as to whether or not the points I had made were all in the general pamphlet summary to which I took exception. I stated that they were distinctly not all; that practically every statement in the report was erroneous or distorted, so far as we were concerned, and that I had hoped, however, by mentioning the items which I had, that when we got them worked out so that the commission could satisfy itself that I was correct as to the baselessness of the statements and charges, then we could work along to such other items as I would indicate even more effectively.

Mr. Commissioner Murdock, after I had closed, then stated that he desired to ask me a few questions, which, of course, was entirely satisfactory to me. He thereupon called my attention to a copy of a letter signed by our Mr. E. A. Cudahy, as set up on page 29, taken from a portion of the transcript of testimony in one of the alleged hearings of Mr. Heney on behalf of the Federal Trade Commission.

Mr. Murdock asked me whether it was my contention that the Cudahy Packing Co. was in competition with the other packers, and I stated that it certainly was. He then referred me to the letter on page 29, and asked me how I could reconcile that letter with the statement which I had just made. I told him that I was

very much interested in his having referred me to that particular letter, and I asked whether or not it would be possible right then to send out and have the letter brought in from the commission's files. After some little discussion, however, it was decided that this could not conveniently be done, and I think at that time Mr. Murdock read the letter over once or twice and then stated that it looked to him as though that was a very clear admission that we were doing business on an agreed percentage at South Omaha and Sioux City. I told him that I thought anyone who understood the business and who read the letter impartially would come just to the opposite conclusion, and that the letter indicated that we were in severe competition in order to get as much as the percentage which apparently someone had in mind was the one we were supposed to get by virtue of some agreement.

I then asked Commissioners Murdock and Colver whether they had read all the letters which had been taken from our office at the same time this letter was taken, there having been some 50 of them. They stated that they had not. I asked them to send for the whole 50 letters, and then suggested that they read them all, and that I felt sure that they would come to the conclusion from reading the entire file that Mr. Cudahy and our company was in the position of a man fighting for his life. Mr. Murdock, however, stated that while he would read the other letters, nevertheless, he thought that this particular letter was sufficient to convince him that we were working on an agreed percentage, and, to reinforce his argument, he called my attention to the alleged lead pencil figures which the transcript indicated were on the letter of Mr. Cudahy. I then told him that I was glad he had called my attention to that, because that was the very item that I also was highly interested in, and that I would be still more interested, and they would as well, when they procured the copy in their files. This brought up quite some discussion as to what I had in mind, and finally I stated that all of that material had been inserted obviously by some one in the commission's employ after the matter had left our office; that I personally had handled the original of which a copy was furnished them, that I knew that such lead pencil figures, nor any other memoranda, did not appear upon our copy nor upon the copy which we furnished. They wanted to know who had put the lead pencil figures on. I said, of course, I could not tell, but I thought that they would get some interesting light as to the character of this investigation as soon as they saw the handwriting, which no doubt they could identify.

I then had a considerable discussion and a good many questions and answers with Mr. Commissioner Murdock, on the basis of this agreed percentage. I denied that there was any and entered into a lengthy discussion to show that the fact that percentage of volume of business, number of employees, number of branch houses, pay rolls, purchase of live stock and everything else, were bound to be practically constant as between the four or five large competitors, all of ample financial worth, and that the figures remained approximately together was rather an indication of the severity of the competition than the reverse. I also called their attention to the percentage of cattle, and, I think, of calves, hogs, etc., as it appears on page 11, to be handled by the so-called "Big Five," and prophesied that no table

which showed any such result as that could be worked out on any basis which would show any percentage similar to those appearing on page 27, and stated that I would be very much interested in getting prompt access to the forthcoming volumes which they claimed would contain the statistical matter furnished by the packers and procured by the commission, because I felt sure that there would be all sorts of variances in any set of percentages. I stated that, of course, after a year's results were known anybody could work out a percentage, but asserted again and again that there was no percentage agreement on the part of our company. With reference to the percentages, and especially the table of similarities appearing on page 27, I called their attention to the fact that owing to the immense volume of business a variance of 1 or 2 per cent up or down would mean quite a number of millions of dollars to any particular company.

In that connection, I do not know how much you may be interested in percentages, but the Cudahy Packing Co. in relative size is to-day around 10 per cent.

Mr. WINSLOW. Ten per cent of what?

Mr. CREIGH. Ten per cent of the total volume of the aggregate of the five large packers at certain markets.

Mr. WINSLOW. Of the five?

Mr. CREIGH. Of the five at certain markets. We will suppose that in the course of a year the Cudahy Packing Co. increased its business 10 per cent. Of course, immediately that would only put the percentage up to 11, and it would be almost an unappreciable change from the 10 that is bound to be somewhere around our general average, and you will find on a general analysis of the figures here variances even on the tables used, and those, let it be understood, are tables that embrace certain markets where we have houses, but do not embrace all the markets at which we have houses, and anybody who studies them and sees, as I say, a variance of 1 per cent, indicating a 10 per cent increase or less in our business, would figure that a substantially constant average would not mean much, and every fraction of a per cent means many millions of dollars.

I think I can save a little bit more time by not finishing the reading of this memorandum. The whole purpose of it was a preliminary discussion with the Trade Commission to ask them if they would not have the evidence upon which they based their statements in their summary produced, at least in certain instances, so that we might consider it, and when we saw the evidence, see if it was any evidence at all, which I claim was an impossibility, and so that we could then put in an argument. All of that was prior to the time they published the second volume. On page 14 of this pamphlet appears a letter, which, along in October, after a good many months negotiations in which I had tried to get this evidence brought out by the Trade Commission, to get a transcript of the testimony, or rather of my statement to them, they having had their stenographers present in order to summarize this thing and also to make a protest against the publication of a trade report on the passage of a trade report to the President, which we thought was likely. It also appears in the same form, beginning at page 3 of this little pamphlet, and Chairman Colver of the commission answered me quite promptly, and in order to get the attitude of the Cudahy Packing Co. and also

of the Trade Commission on these proceedings so that you can see them side by side, I took the two letters beginning with pages 14 and 15 here, putting them in columns. I do not believe I will take the time of the committee even to read that letter, but merely to comment on it. It seems to me somewhat clear that it proved a non-judicial partisan proceeding.

I have not yet been able to see anything in the way of evidence. So far as evidence is concerned, in the Senate Committee Mr. Heney now is counsel for the farmers' unions admittedly on the record, arguing with some of the Trade Commission staff constantly bringing in papers, documents, etc. That is all right with me, for it is about the first time I have had access to any of the documents upon which the charges against us are based, and I think I have already located one or two that are very interesting, though I have not gone quite far enough yet to quite make much of a point about them.

The CHAIRMAN. Do you want to make this pamphlet a part of the record?

Mr. CREIGH. If I may.

The CHAIRMAN. You may do so.

(The pamphlet above referred to, entitled "Position of the Cudahy Packing Co. in respect to the Federal Trade Commission growing out of the summary of report on the meat packing industry, published August 8, 1918," is made a part of the record, and appears in the official report at this point.)

POSITION OF THE CUDAHY PACKING CO. IN RESPECT TO THE FEDERAL TRADE COMMISSION, GROWING OUT OF THE SUMMARY OF REPORT ON THE MEAT PACKING INDUSTRY, PUBLISHED AUGUST 8, 1918.

FOREWORD.

On August 8, 1918, the Federal Trade Commission's "Summary of the report on the meat packing industry" was released for publication.

Since the publication of that report it has been the subject of a great deal of controversy. Almost immediately after the publication of the report this company, feeling that the charges and statements respecting it were without foundation and entirely incorrect, undertook to ask the commission to give us access to such evidence as it might have upon which it based the statements which it had made, and to allow us the opportunity to refute or explain such matters.

The company had not previously been given the right to cross-examine witnesses or to examine the evidence which the commission had, or to rebut or explain it by evidence of its own, nor had any hearing or argument been had before the commission.

We had the expectation and belief that in the event that no such evidence existed or could be produced by the commission that it would then frankly state that its charges were inadvertent.

The efforts of the company to secure a hearing or any exoneration have thus far been futile. The company now feels that it has the right to submit the correspondence and certain other data for public consideration. It seems to us that the situation disclosed is such as to justify us in believing that the commission's report was not prepared under such ordinary fair or American methods as to have produced any approximation of the truth respecting our situation in the meat packing industry, and that the public ought to be informed respecting these features in order that the report and the recommendations of the commission in whatever future consideration may be given, may be tested as to their accuracy and fairness (a) in the light of this challenge which we make to the correctness of their findings, (b) the failure to produce the evidence to support them and (c) the denial of a hearing or an opportunity to satisfy the commission of our operations and position.

THE CUDAHY PACKING CO.

CHICAGO, ILL., October 12, 1918.

EXHIBIT A.

OCTOBER 2, 1918.

HON. WM. B. COLVER.

Chairman, Federal Trade Commission, Washington, D. C.

MY DEAR SIR.—I trust that you will overlook the length to which this letter will probably run, but in order to arrive at some understanding of the status of certain matters before your commission, I think that I should summarize a few of the more recent details. Also, further along I shall hope to make a suggestion covering the future which will amplify somewhat the items of the original which I made to the commission on August 14, last, and later confirmed by letter to the secretary, dated August 16, copy of which for convenient reference I attach hereto. The receipt of this letter was acknowledged by Mr. Bracken under date of August 21 with the statement that the matter "will be laid before the commission for consideration."

I think you will recall the conference which I had on August 14 with yourself, Commissioner Murdock, Secretary Bracken, and Mr. Durand, where the suggestions and argument back and forth were taken down stenographically by two of the commission's reporters.

The purpose of the conference was to state to the commission formally that our management felt that the summary, prepared by the Federal Trade Commission, as a preliminary report on the meat packing industry, dated July 3, last, but which had been released to the press only on August 8, contained a great number of statements and charges against The Cudahy Packing Company separately, and mentioned with others, which were wholly inaccurate, and, as we felt, unwarranted and unfair. During the conference I made the suggestion (and I thought I had arrived at an understanding with you) that the commission would take the stenographic report of the points which I raised as illustrative and would pass this as a memorandum to its subordinates with the request that such subordinates produce the evidence (if any), upon which the statements and charges were based. And that then, when such evidence was produced (although I prophesied that none was in existence), that I be given an opportunity to go over it and the charges with you commissioners, personally, with a view to having you understand our situation, and if the facts justified it, to correct the misstatements and erroneous charges.

Although putting into the record only some six or seven instances of such erroneous charges, I stated, that I expected later to have the opportunity to demonstrate to you that practically every mention of our company and its activities in the report was either distorted or unwarranted, but that I believed that you commissioners, personally, did not have (through the great press of matters requiring your attention) personal knowledge of all the evidence, and that you were not to be blamed for this, but that we felt that you desired the final report of the commission to be accurate and fair and that we on our side were only interested in trying to get a report that fully stated the truth about our position in the packing industry as accurately and with as little bias as possible. In the conference, after I had pointed out by page to page reference the sample statements upon which I hoped I would have the opportunity of having a further hearing before you, other matters were taken up by the various commissioners, and in them it developed that certain of the evidence upon which apparently you relied, and which you had examined personally, had actually been tampered with by employees of the commission after it had left the offices of our company.

As I understood it, I was not only entitled under your practice to a copy of the transcript of the discussion at this conference, as taken down by your stenographers, but I was informed that it was being taken down for the benefit of Gov. Fort, who at the time was absent from Washington, and that it was desired that he should be in possession of a statement of what had been said on both sides, and that I would be furnished with a copy.

Having hoped to receive the copy of the transcript while I was still in Washington, I made several calls at the commission's office with a view to trying to secure it. Finally, upon not having received it, I wrote the letter to your secretary to confirm my understanding of the situation. Furthermore, I have all along felt and still feel that the suggestions which I made respecting your commissioners' calling for the evidence which would justify the charges made against us in the particular cases cited by me as illustrations, were entirely fair, both to this company and to the commission, and were in line with its rules of practice and with the precedents established in other similar proceed-

ings. I do not believe that you commissioners desire to stand for a policy under which adverse criticisms and charges of criminal practice are put out against reputable business interests on a record where, as in the packers' situation, it was officially stated that the packers would not be permitted to call witnesses of their own or cross-examine other witnesses, or where attorneys representing the packers were not allowed to appear before the commission to discuss in any formal way the evidence or alleged evidence which had been secured, and where, still more, you commissioners, yourselves, do not see or examine all the evidence, but simply endeavor to check up on certain of the findings or memoranda prepared by subordinates.

Of course, such masses of statements, business statistics, and other classes of evidence were taken during the investigation, involving more than a year, from the offices of the packing companies and otherwise, that no one could be fully informed as to all of it. And, of course, if only selected samples were taken as the basis of the summary and those used were written up without reference to other conflicting evidence or read in the light of explanations as to their real meanings and the controlling surrounding circumstances, the report could be colored up so as to present a very false impression, and one which would not at all be fair or correct either to the industry or to any or all of the five larger companies.

At the conference of August 14 I stated to you that while representing The Cudahy Packing Co. only, and making you the suggestions on its behalf with a view to finally convincing you that the statements respecting it should be modified or eliminated, I did not desire, of course, to have you feel that I was by such argument taking any side as regards the correctness of your statements respecting any or all of the other packing companies.

Since the letter of August 21 from your secretary, advising that my request for the transcript and for a further hearing was awaiting the consideration of the commission, I have personally endeavored to follow up the matter a number of times, but to this date am not advised as to whether the commission expects to take any favorable action, either on furnishing me the transcript or on giving me the opportunity to demonstrate to you (as I firmly believe I can), that these charges are all entirely erroneous and are without the support of *any* evidence in many cases.

I recall that on my last trip to Washington I conferred with Secretary Bracken and Commissioner Murdock and with yourself respecting this matter, and that on the morning of September 19 you informed me that on the afternoon of that day you would advise me as to how this matter stood.

You were kind enough at the luncheon on that day to make the very favorable reference to myself as having been one person who had made a claim to the commission that the statements contained in the summary were incorrect. I left at your office a note expressing my appreciation of your frank statement, regretting that I had found you out at the time, and asked that you advise me at my office in Chicago what we might expect regarding favorable action by the commission.

Not having heard from you in response to this memorandum, I wired you on September 25 as follows:

"Will appreciate advice showing matter covered recent interview being acted on."

I have had no acknowledgment of or response to this message.

Of course, I understand that recently you have been very busily occupied in other matters, and I have some information respecting your appearance before the Subcommittee of the United States Senate on Agriculture and Forestry and of the answers which you gave last Saturday to certain questions respecting whether hearings had been allowed or granted to the packers or any of them, explaining how the summary report had been prepared by the commission, and how, of course, you had not been able to personally examine all the evidence, but had called upon your subordinates at the time the report was being prepared to produce what evidence they might have in respect to certain of the charges which were being made and which the commissioners thought ought to be verified. Some reference was made to the session which I had had with you on August 14, but I regret to find that it was not amplified by you and that while you stated that a discussion had come up respecting one letter of Mr. Cudahy, about which we had talked in our interview of August 14, you did not advise the committee that that letter was one that had been tampered with by your employees, but you did state that that single letter seemed to you to be evidence upon which the charge made against us might be based.

1150 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

I do not, however, believe that you really meant to put it so strong as to say that the single letter or sentence should be seized upon to justify a charge when the entire remaining file, and even that letter, itself, properly understood, absolutely repudiated the charge. Nor do I think you intended to indicate that your practice in the commission involves the selection by your subordinates of extreme cases and the entire ignoring by the commissioners, themselves, of the remainder of the evidence. But that certainly is the way the record at present seems to stand.

Now I do not write this letter to you in any ill temper, but only in the desire that if it be possible I may arrange some basis upon which the commission will, if I am able to convince you commissioners as to the correctness of things as I see them, change your previous report. Or if that is not practicable, to at least arrange that before the issuance of the seven forthcoming volumes, upon which I understand you are now at work, you will look up and act favorably upon the matter of the transcript, and then give us further hearing, as outlined by me August 14. And further, that as regards any place where our interests may be mentioned in the forthcoming volumes, you will, prior to their publication, give me the opportunity for fair consideration of the matter, with a view only to having the truth stated impartially, fairly, and accurately. I do not believe that the truth can be arrived at on an ex-parte basis, and I do think that you commissioners certainly ought to be willing to call for the evidence at the basis of such specific charges and to allow the party who is to be charged to examine, explain or repudiate the evidence, or what appears to be evidence.

And, in conclusion, I say to you frankly that I have not the slightest doubt but what, if you commissioners personally will allow me the opportunity in detail for going over these matters with you, I will be able to satisfy you not only that you have misunderstood such evidence as you may think you have but that as a matter of fact your record is so filled with entire perversions, false statements, suspicious, and distorted assumptions as to have made a true perversion of justice.

As regards the matter which I am now suggesting, amplifying my original suggestion of August 14, and now requesting some information as to whether or not, with respect to the forthcoming seven volumes, we can not have an opportunity to discuss the statements therein contained, prior to their publication, let me suggest to you that such a practice is not improper in any sense, but as a matter of fact is admittedly the American way of extending impartial consideration, both by courts and before other governmental boards.

Take, for example, the recent hearings of the Interstate Commerce Commission in an investigation in the matter of private car lines and their ownership and operation:

This was an investigation begun by that commission. Witnesses were heard, and the case was publicly argued before the commission at least twice. Then at the last hearing the tentative report of their examiner in charge of the case was, in proof form, submitted to the various parties of record and their attorneys as the basis for final argument. And after such argument was had, it was modified by the commissioners in some respects, with the view no doubt of having it as complete and fair and correct as possible. We submit that such a procedure is eminently fair in respect to the situation of The Cudahy Packing Co. before your commission, and we believe that we can assist you, and that the commission, itself, can, by adopting such a course, do itself a considerable service in the public mind.

Yours, very truly,

THOMAS CREIGH,
General Attorney

[Inclosure.]

AUGUST 16, 1918.

L. L. BRACKEN,
Secretary, Federal Trade Commission,
Washington, D. C.

DEAR MR. BRACKEN: I find that I must leave Washington for the West, and you advised me that the transcript of the session which we recently had with respect to the Cudahy Packing Co. has not yet been prepared. Please let this letter serve as a memorandum, confirming the request and understanding which I had, to the effect that I would be furnished with a copy.

You will recall that my principal request was that the commissioners themselves ascertain from your records what, if any evidence they have upon

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1151

which to justify many of the statements and charges made, and particularly those sample points to which I called your attention. It was understood that the memorandum would be used for the purpose of locating such evidence and that later I would be notified and would be given an opportunity to go over this with the commission, and in the event that they agreed with me that we had some fair complaint to make, it would then result in my being given an opportunity to have similar treatment extended so as to cover the large number of other points where similarly our interests do not, to us, at least, seem to have been given accurate or fair consideration.

Believing that I was to readily be furnished with a copy of this transcript I took no memorandum of the points suggested, and if I can have a copy at your early convenience it will assist me in checking up things so that upon a further occasion, if the opportunity is granted, I will be fully posted.

Yours, truly,

THOS. CREIGH.

Inclosure.

FEDERAL TRADE COMMISSION,
WASHINGTON, August 21, 1918.

LLB-J

Mr. THOMAS CREIGH,
Counsel, The Cudahy Packing Co.,
111 West Monroe Street, Chicago, Ill.

DEAR SIR: Your letter of August 16 with reference to securing copy of transcript of your statements to the commission has been received and will be laid before the commission for consideration.

Very truly, yours,

L. I. BRACKEN,
Secretary.

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, October 10, 1918.

DEAR SIR: Replying to your letter of October 2d:

In view of the length of your communication and the number of subjects touched upon, it will be replied to by paragraph. You doubtless have a copy of your letter of October 2d, before you.

(1) The length of the letter is overlooked. The correspondence with Mr. Bracken is accurately cited. Mr. Bracken has laid your letter of August 14 last before the commission.

(2) Your visit to the office of the commission on August is recalled.

(3) Your interpretation of the purpose of your visit is accepted. The data covering points raised by you was directed to be assembled and considered by the commission. In case the commission desires your assistance in further examination of that data, you will be advised.

(4) Your statement as to your expectations is accepted. Your statement as to your belief as to the degree of knowledge and share of blame with respect to the commissioners is not accepted. The last sentence of this paragraph is inaccurate and your inference is not warranted.

(5) Your understanding as to "practice" is entirely faulty. The record was taken for the use of Gov. Fort, who was absent, and the rest of the commission. It was not said you would be supplied with a transcript. You will not be so furnished.

(6) Your several visits to the offices of the commission are correctly stated. The purpose of your letter was doubtless to confirm your understanding. It did not and does not do so. Your suggestions were not "in line with its (the commission's) rules of practice." There were no precedents. What you do not believe is not material. Your statement of the commissioner's methods of work are inaccurate and immaterial.

(7) Of course, your effort to build up a record by the use of this paragraph requires no attention.

(8) A correct statement.

(9) You have personally followed the matter up; you have not been advised of the commission's desire.

(10) Your statement of what you recall is accepted.

1152 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

(11) Inaccurate; you were referred to as the one person; your note was left, as stated.

(12) Correct.

(13) Correct.

(14) Your attempted epitome of Mr. Colver's testimony is generally inaccurate and especially and utterly inaccurate as to a reference to any one letter

(15) What you do not believe is again immaterial. Your paragraph is a negative misstatement; the record does not stand as you say.

(16) If and when the commission desires to hear further from you, you will be advised. What you say you believe or think is immaterial.

(17) Your doubt or lack of doubt is immaterial.

(18) The commission will perform its task in the way it believes it can best discharge its obligation.

(19) Why take dissimilar proceedings for the purpose of comparison?

(20) This commission will follow its own practice; your proffered assistance is fully appreciated.

By direction of the commission.

Yours, very truly,

WILLIAM B. COLVER,
Chairman.

THOMAS CREIGH, Esq.,

*General Attorney, Legal Department,
The Cudahy Packing Co.,
111 West Monroe Street,
Chicago, Ill.*

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, October 10, 1918.

DEAR SIR: Replying to your letter of October 2. In view of the length of your communication and the number of subjects touched upon, it will be replied to by paragraph. You doubtless have a copy of your letter of October 2 before you.

1. The length of the letter is overlooked. The correspondence with Mr. Bracken is accurately cited. Mr. Bracken has laid your letter of August 14 last before the commission.

2. Your visit to the office of the commission on August 14 is recalled.

3. Your interpretation of the purpose of your visit is accepted. The data covering points raised by you was directed to be assembled and considered by the commission. In case the commission desires your assistance in further examination of that data you will be advised.

4. Your statement as to your expectations is accepted. Your statement as to your belief as to the degree of knowledge and share of blame with respect to the commissioners is not accepted. The last sentence of this paragraph is inaccurate and your inference is not warranted.

5. Your understanding as to "practice" is entirely faulty. The record was taken for the use of Gov. Fort, who was absent, and the rest of the commission. It was not said you would be supplied with a transcript. You will not be so furnished.

6. Your several visits to the office of the commission are correctly stated. The purpose of your letter was doubtless to confirm your understanding. It did not and does not do so. Your suggestions were not "in line with its (the commission's) rules of practice." There were no precedents. What you do not believe is not material. Your statement of the commissioners' methods of work are inaccurate and immaterial.

7. Of course your effort to build up a record by the use of this paragraph requires no attention.

8. A correct statement.

9. You have personally followed the matter up; you have not been advised of the commission's desire.

10. Your statement of what you recall is accepted.

11. Inaccurate; you were referred to as the one person; your note was left as stated.

12. Correct.

13. Correct.

14. Your attempted epitome of Mr. Colver's testimony is generally inaccurate and especially and utterly inaccurate as to a reference to any one letter.

15. What you do not believe is, again, immaterial. Your paragraph is a negative misstatement; the record does not stand as you say.

16. If and when the commission desires to hear further from you, you will be advised. What you say you believe or think is immaterial.

17. Your doubt or lack of doubt is immaterial.

18. The commission will perform its task in the way it believes it can best discharge its obligation.

19. Why take dissimilar proceeding for the purpose of comparison?

20. This commission will follow its own practice; your proffered assistance is fully appreciated.

By direction of the Commission.

Yours, very truly,

WILLIAM B. COLVER, *Chairman.*

THOMAS CREIGH, Esq.,

General Attorney, Legal Department,

The Cudahy Packing Co.,

111 West Monroe Street, Chicago, Ill.

EXHIBIT B.

EXTRACTS FROM STATEMENT OF CHAIRMAN WILLIAM B. COLVER, OF THE FEDERAL TRADE COMMISSION, SATURDAY, SEPTEMBER 29, 1918, BEFORE THE SUBCOMMITTEE ON AGRICULTURE OF THE U. S. SENATE.

Senator GRONNA. All these things that we are holding here are a detriment to the producer, and I think it is about time we ought to get together with the packers—not for us to make statements, and then for them to make their statements again, and I want to ask you this question: Has the Federal Trade Commission had any conference with the packers, or did you have a conference with the packers before you made this report, giving them a chance to explain, if there was any mistake in the reports? Of course, you can answer that in your own way.

Commissioner COLVER. Yes; we had conferences with them before the investigation was begun, had conferences with their attorneys during the investigation, and have had conferences, especially with Mr. Armour, who is somewhat of a spokesman, immediately before the publication of the report—conferences that were, I assume, completely full, that is, long, because he terminated them, not we.

Senator GRONNA. And that was all before the commission?

Commissioner COLVER. Yes.

Senator GRONNA. I assume that the commission themselves had the report.

Commissioner COLVER. We do not do business separately; we do business as a commission.

Senator NORRIS. Mr. Colver, if you are through with that, I want to ask you three questions that were given to me by Senator Sherman, of Illinois, who could not be here, and he asked me if I would not ask them for him; and so I am asking them.

Mr. COLVER. I wish he would come and ask them personally.

Senator NORRIS. Number 1 is as follows: "Whether the packers have ever had a hearing or have been offered a hearing in the investigation of the meat industry?—and I am reading from his memorandum. And then in brackets—I presume this is supplementary—"The packers never have been offered a hearing, and, as a matter of fact, the official transcript of the testimony taken shows that Mr. Heney in an early hearing announced that the hearings were ex parte and that no one would be permitted to cross-examine witnesses or produce his own witnesses." Have you anything to say in regard to that?

Commissioner COLVER. I think, perhaps, I answered the question a few moments ago, in response to yourself. There was one kind of a hearing that they never got; that is the hearing which carries with it immunity; that is the kind of a hearing that was extremely desired.

Senator NORRIS. I will read the second question: "Whether the commissioners or any of them have personally read or examined all of the evidence taken in their investigation before the publication of the summary of their report condemning the packers of monopolizing and profiteering?" And then

follows the statement, again in brackets: "Commission Colver has informally admitted that he and no other member of the commission has read any but the few isolated letters of the testimony taken before the publication of the summary of the report, so that if his answer should be 'Yes' or any other answer than an absolute 'No,' he could be asked how much he has read and what." Will you answer that question?

Commissioner COLVER. You have spoiled the trap, Senator. Did he say I said that, too?

Senator NORRIS (reading). "Commissioner Colver has informally admitted that he and no other member of the commission had read any but the few isolated letters"—I am assuming he is asking those questions in good faith.

Commissioner COLVER. So am I. I thought you said he carried a name. I do not hear very well.

Senator NORRIS. It says: "Commissioner Colver has informally admitted that he and no other member of the commission has read any but the few isolated letters of the testimony taken before the publication of the summary of the report."

Commissioner COLVER. Well, I guess that is from the brain of Tom Creigh. That is the old question, "Will you stop beating your wife?" You want me to answer that "No." No, I do not suppose any of the commissioners have read all of the documents that are there in the commission or all of the testimony that has been taken; I do think that each of the commissioners have read a very great deal, and the combined reading of all of the commissioners would be a very, very great deal; besides having presided at the hearing, besides talking with the people.

Senator NORRIS. The next question is: "Who prepared the report that the commissioner signed?"

Commissioner COLVER. Well, now, let us see. Define exactly what you mean by "prepared"—that is to say, who wrote the final draft?

Senator NORRIS. I judge that is what it means.

Commissioner COLVER. Yes.

Senator NORRIS. He says here in brackets again: "The summary of the report was published before the testimony was read by the commissioners and summary in effect condemns the packers so that the commissioners as a matter of fact have condemned the packers before they have read the evidence upon which their judgment should have been based."

Commissioner COLVER. Oh, that makes it very easy to answer. The summary report is in two parts. The first part is the letter of transmittal, a letter addressed to the President; the second part is a summarization of the evidence itself. The first part was written in part by myself, in part by Commissioner Murdock, and in part by Commissioner Fort—and no other hand touched it. The summary of the evidence was written first by three or four members of the staff writing different parts of it. It was not all—no, I can not say, "not at all"—it was the same form when it was first written as when it was printed, in that it was shortened a great deal and made briefer.

Senator NORRIS. By members of the commission?

Commissioner COLVER. By members of the staff, not of the commission. What you might call the rough notes, or the tentative drafts of various parts of the summary, were drawn by different members of the staff, in consultation, and with their subordinates as to the particular subject on which they were writing their summary. That rough draft then came before the three commissioners—the three commissioners then being the full board. It was gone over sentence by sentence and word by word, and the supporting material was stood by and was called for and presented when any question of what we call verifying or checking up seemed to be indicated. So that the summary, as finally published, consisted of typewritten sheets and typewritten pages, some of which had been rewritten and recast a number of times, and all of which were interlined in the handwriting of Mr. Murdock, Gov. Fort or myself or of Mr. Durand, who often helped as a sort of amanuensis in the making of the editorial changes—the verbal changes, in hunting out and bringing to us the documents for verification.

Senator NORRIS. Those are all the questions that Senator Sherman submitted. If that is all you have to say on that question, I want to ask you another one.

Commissioner COLVER. The form of the question suggests to me a conversation between Mr. Murdock, Gov. Fort, I think—but I am not sure of that—and myself, with Mr. Tom Creigh, of the Cudahy Co., in which it was said informally

ally, or doubtless by myself, with reference to a certain file of letters written by Cudahy—that we had not read them or that I had not read them all, and Creigh said, “Will you read them all?” And I think I said I would. I had read those letters which are essential and which bore out the statements which we had made on the subject to which the letter ran, and Mr. Creigh asked if I had read the entire file of that correspondence. I had not, but I judge I had read that part of the file of correspondence which ran with the thing which we had put in the summary, but I did make that statement informally or formally or any other way that I had not read all of Cudahy’s letters—meaning that I read all of the letters on that particular subject, but not on all.

Senator NORRIS. Mr. Colver, as I understand, when the witnesses are placed on the stand representing the chamber of commerce they do not deny the truth of any of the findings that the Federal Trade Commission made in the meat packing investigation. They neither deny them nor support them, but they base their criticism and their objection entirely to the procedure, as they claim, of the commission and to the language used. Have you anything further to say than you have already said in regard to that subject summing it up, as to the procedure of the commission and the methods that you pursued in arriving at your conclusions?

Commissioner COLVER. No; the procedure was one of the orderliness, carefulness. It proceeded for a long time by way—in the first place, it started off by having a meeting with the packers in Chicago, setting out what was about to be done, which was later put in the form of a letter addressed to them, in which they were asked certain specific questions, and then were asked in conclusion not to be limited by the questions, but to answer and make any observation of any sort or any suggestion of any sort that they might have in their minds on this subject; to which three out of five of the packers responded—Armour and Wilson did not respond; Cudahy, Swift, and Morris did.

Then searches were made of available data, public documents, court record, printed material published by the packers themselves, financial statements and that sort of thing, banking information, investing information; and in collaboration with the Department of Agriculture, the physical aspects of this problem were studied. The whole inquiry was broken up into what we thought to be logical and orderly divisions and subdivisions and groups, capable men, intelligent men, loyal and patriotic men and good public servants were given charge of these various aspects, and so we proceeded for some time. And then when we found that the road was blocked, we had to go through. You had ordered us to go through and the President had ordered us to go through, and we went.

EXHIBIT C.

Extracts from the Congressional Record Thursday, October 3, 1918:

“Mr. GRONNA. This is a very important matter, and I should like to ask the Senator from Utah, in all seriousness, if he states to this body that he has in his possession either letters or documents from the packers denying the truth of that report and saying that it is not correct?”

“Mr. SMOOR. Mr. President, I intend to put this report into the Record just exactly as it is presented to me, and I ask the Senator then to read the report.

“Mr. GRONNA. I make this inquiry in all seriousness, because I think it is a matter that concerns the entire country. I will say for the benefit of the Senator from Utah, as a member of the Agriculture Committee, having taken considerable pains to ascertain the truth, and having an open mind on the question, that at no time have the packers denied the correctness of the report, so far as the committee knows.

“Mr. SMOOR. Mr. President, I have nothing further to say than this: I have the report here, and as a part of my remarks I ask that it be printed in the Record and I ask the Senator from North Dakota to read it, as well as the other members of the Agriculture Committee.

“It is a report prepared by the representatives of the meat packing industry of this country. I want it to go into the Record, and I want every Senator to read it, and to see the explanations on some of the criticisms that are made against the packers for carrying out the instructions that were given to them by the Food Administration.”

Memorandum.—The document referred to above is not the memorandum (Exhibit E) following.

EXHIBIT D.

OCTOBER 4, 1918.

Hon. ASLE J. GRONNA,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Upon examining the transcript of the statement of Commissioner Colver, of the Federal Trade Commission, before the subcommittee of the Senate on Agriculture in a hearing on the Government control of the meat packing industry, Saturday, September 28, we note with much interest a question asked by yourself as to whether or not the Federal Trade Commission had any conference with the packers before they made their recent report (which they designated the summary), giving them a chance to explain if there was any mistake in the report. Your question certainly went to the very heart of the thing, and, if it had been answered completely by Mr. Colver, would have demonstrated to you Senators and to the country at large how entirely biased and unfair the report and the procedure preceding it really was, and how the charges and statements contained in it are thereby entirely lacking in credit. Superficially, or to anyone who is not thoroughly familiar with all the details of this extensive investigation, the commissioner's answer may have the appearance of covering your question. But no one understanding the situation fully or looking carefully at the words which the commissioner used and the thought which he expressed can find in it anything other than an admission that no hearing, in the sense that anyone would use the word, has ever been had. The commissioner's answer to you was as follows:

"Commissioner COLVER. Yes; we had conferences with them before the investigation was begun, had conferences with their attorneys during the investigation, and have had conferences, especially with Mr. Armour, who is somewhat of a spokesman, immediately before the publication of the report—conferences that were, I assume, completely full; that is, long, because he termed (terminated?) them, not we."

It is perfectly obvious that under no circumstances could anything which the commissioner stated in that answer be deemed to be a hearing. Obviously the report itself was not presented to any party at the time of any such conference or interview, nor was the evidence, upon which the report may have been based, shown to anyone representing any packer, submitted to him for answer, comment, explanation or rebuttal.

I do not suppose that it would be inferred by anyone that Mr. Armour for example was speaking for anyone other than for himself or for the company in which he has an interest. So far as this company and our people are concerned we know nothing of his having had a conference, and he certainly did not represent us.

On August 14, something like a week after the summary was issued, the writer had a conference with the commission, and at that time stated to them that practically every mention in the report of our company or its interests was false, without foundation, or entirely distorted. With the stenographers of the commission present a record was made of this conference, at which time I not only made the above charges, but thought I had an understanding, arrived at with the commission, under which the commission would pass the record of the conference to its subordinates, asking them to produce what, if any, evidence the commission had to support certain charges which I specified. I prophesied that the commission had no evidence upon which to base them. I suggested then, and I thought it was fair and within the commission's practice, that when the evidence, if any was produced, I should have a further hearing upon which we could take up additional items in the report which were equally, in my opinion, unfair and without foundation.

Constantly, and since August 14, by personal interview and otherwise, I have endeavored to get the commissioners to follow up this suggestion to give us an opportunity to satisfy them of the sincerity and correctness of our position, but without avail to date; although I still think that there is a possibility that we may be given such fair treatment.

On the occasion of the noonday luncheon of the Peoples Forum in Washington on September 19, Commissioner Colver was kind enough to make mention of the writer and of his confidence in him, coupled with the statement that I had been at least one person who had frankly come to the commission and had complained to it respecting the correctness of the commission's summary.

It is interesting to note that at the same session of the subcommittee on Agriculture, at which you asked your question, later on in the same transcript of testimony there appear certain answers by Commissioner Colver to questions

submitted by Senator Sherman with explanatory memoranda, and later on Commissioner Colver suggests the interview with myself, to which I have just previously referred. I trust that you were present through the entire session and that you heard those answers and statements and applied them also in their full significance to the clearing up of whatever doubt there may have been in your mind as to whether or not this proceeding against the packers and the commission's summary had any aspect of being fair, authoritative or of being an accurate result arrived at by the use of ordinary American methods.

I was much interested in reading the other day in the October Everybody's the article of the Hon. Brand Whitlock's series where he described the methods of the German military courts in Belgium. Have you read the article? I think that practically everything that he suggests there as leading to entirely unwarranted results could fairly be checked up as having occurred in almost exactly parallel fashion in this recent proceeding of the Federal Trade Commission. I certainly would be very much pleased some time in the future, at your entire convenience, if you are interested in knowing some of the details, particularly as they affect our company, in having the opportunity to go over them with you.

As matters with us now stand, we have recently filed with the commission what is in effect a protest against the publication of what we understand are the forthcoming seven volumes of additional reports, without our having the chance to discuss the evidence with them, and we are reiterating and amplifying the request made on August 14, that we be granted such an opportunity for a hearing, not only as regards the statements contained in the summary, but whatever may be contained in the other reports as regards us and our activities.

We have, of course, no other desire than that a complete statement be made, setting out the truth. And this letter is written to you not at all in the spirit of charging the commission with bad faith, but simply to register the facts and our belief that the methods as used and the report as thus far published, have certainly not been such as to produce results which are accurate and fair.

Yours, very truly,

THE CUDAHY PACKING CO.,
THOS. CREIGH, *General Attorney.*

P. S.—Not knowing whether you have available to you the stenographic copy of the subcommittee's hearing, I am inclosing a transcript of the portion involving the statements respecting my interview with the commission, which I have above referred to, and hope that you are interested in and will read closely the answers and statements made by the commissioner. I think you will be satisfied that not only has no hearing ever been allowed, but that the report is made upon hearsay and fragments taken haphazard out of a very large mass of material, and do not at all involve any such general judgment as you would expect a court or a quasi-judicial or administrative body to use in an impartial investigation or report.

EXHIBIT E.

MEMORANDUM REGARDING CERTAIN INTERVIEWS WITH THE FEDERAL TRADE COMMISSION ON BEHALF OF CUDAHY PACKING CO. GROWING OUT OF THE PUBLICATION OF THE SUMMARY OF THEIR REPORT AFTER ITS RELEASE BY THE PRESIDENT.

This memorandum is made on Friday, August 16, 1918, and is intended to cover certain matters which have taken place during this week.

On Tuesday I had a short conference with Secretary Bracken, of the Trade Commission, and at that time stated to him that there were a large number of items in the summary of the report as published by the commission where the Cudahy Packing Co. had been mentioned as to which I thought the commissioners undoubtedly must have some misapprehension as regards the facts, else the statements could not have been made. I advised that we felt that the commission certainly desired to be accurate and fair in its conclusions or statements, and stated that I did not desire to see any one of the commissioners personally at that time, nor did I wish to have my visit regarded in the nature of a general protest at the publication of their report, but that I would appreciate it if Mr. Bracken would take the matter up with such of the commissioners as might be in the city, with a view to telling them of our position and

1158. GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

of our desire to point out to them some of the places where the conclusions and statements of fact seemed to be without sufficient foundation, having in mind as a general proposition that upon such a discussion frankly the commission would be as desirous as myself and the company of correcting such statements as I might indicate were without foundation, or where the evidence either was lacking or had been misconstrued.

Sometime later Mr. Bracken advised me that Gov. Fort was out of the city, but that Chairman Colver and Commissioner Murdock were in Washington and that they would be glad to see me on Wednesday at 11 o'clock.

When I arrived at the offices of the commission on Wednesday morning I met Commissioners Colver and Murdock, and they, together with Mr. Bracken and Mr. Durand, gave me the opportunity of an interview lasting something more than an hour.

When the interview began two stenographers of the commission were present and began to take their notes of what I said. After I had proceeded for a short time I stated to the chairman that I noticed that a memorandum was being made; that, of course, it was satisfactory to me. He stated that the stenographers were present in order that a record of the proceedings might be at hand to submit to Gov. Fort upon his return to Washington. I stated that that, of course, was satisfactory and that I supposed the commission would be willing to furnish me also with a copy of the same memorandum; and this was promised to me.

I began my statement by outlining the position of our company as feeling that the commission desired its report to be accurate and fair, the same as I had expressed it to Mr. Bracken previously. I stated that at that time we did not wish to be regarded as appearing before them with a general complaint respecting the proceedings or the method under which they had been conducted or the report itself or the conclusions of the commission; but that what we did desire was to point out to them a few out of what we regarded as a very large number of places where mention was made of our company and the facts incorrectly stated, with a view to asking the commissioners themselves to examine what, if any, evidence the commission had upon which to base the statement; and later on, if that were possible, to discuss with me the items of evidence which might be produced (if any), in which case I prophesied to them that I could quickly make such explanation as would make them realize that the statement was entirely incorrect. Furthermore, I assured them that I felt I could point out, as illustrative, a number of places where damaging and extreme statements were made and where I felt sure the commission would be interested with me in knowing whether or not they had any evidence at all upon which to found the charge or the statement. Of course the chairman and Mr. Murdock acquiesced in the statement that they desired to be fair and accurate and stated that they would be very glad if I would point out to them any portions of the report which I felt could be justly criticized by us.

Then I proceeded to call their attention to the following items (as nearly as I can now recall), which I stated were illustrative of what I had in mind, as to which I hoped that they would call upon their subordinates to produce such papers or other evidence as they had as the justification or foundation for the charge or statement. I stated to the commissioners that of course I felt that they personally had not examined all the mass of testimony and statements which had been procured during the year's investigation, that I felt that this would be impossible, and they agreed with me.

I also suggested to them that I thought it was unfortunate that the summary had gone out containing the commission's findings without the case having been either argued by any one on behalf of the packers or without their having had any opportunity to either appear to cross-examine witnesses or to put in any testimony of their own. I stated that I understood, however, that the Henry hearings were conducted on behalf of the commission only and that it had been distinctly stated that no attorney or other person representing the packers and no witness on behalf of any packer would be permitted to appear. This statement also was acquiesced in.

The first item, I think, to which I called their attention was page 39, respecting the matter of three confidential employees of Swift & Co. whom it was stated had been sent to Washington to investigate and report on the status of the so-called Borland resolution. The commission's summary proceeds to state:

"On April 10, 1916, they prepared a long joint memorandum, copies of which were sent to the principal officials of each of the five packing companies," etc.

I stated that I should like to see whatever evidence the commission had on which to justify the statement that a copy of this had ever been sent to our company or any of our officials. I then called their attention to the statement following, on page 39 after the quotation from the alleged report covering the charge that "the big five proceeded to take the following steps"; the raising of a joint fund of \$15,000; flooding Congress with telegrams, etc.; employment of Mr. Colin H. Livingston; and I stated that so far as our company was concerned we certainly never participated nor knew of any of the items mentioned. I stated that I hoped the commission throughout the entire conference which I was having with them would not regard the fact that I was pointing out things respecting our company solely was to be taken as an indication that I believed that the statements respecting any of the other packing houses in the same or similar connections were true; that, of course, I knew accurately the business and details of our company, which I was going to discuss; that I believed each of the other packers probably had similar knowledge of their own affairs which they in proper season would discuss for their own account. I believe there was some general discussion by various of the commissioners respecting the items which I have just mentioned as appearing on page 39, as to which they asked me several questions, but on all of which my answer was that we not only did not participate in but did not know of any of those matters having occurred.

I then proceeded to page 38, calling their attention to the memorandum from Henry Veeder to W. B. Traynor, as it appears quoted on that page. I stated that I, of course, did not know anything as to the correctness of this memorandum. But I admitted that I did know that as regards general legislation and litigation matters, there were certain instances in which the Cudahy Packing Co. (or its predecessor company, what we call the "Illinois Corporation") had participated and had paid 10 per cent. I explained that in the last three or four years I could not recall as many, I thought, as 10 items in which we had participated; that these were all litigation matters; that no legislative matters had been participated in; that the litigation matters were all entirely proper proceedings in which the entire trade was interested, such as litigation respecting pure food laws or city ordinances, or national regulations, where there appeared to be some conflict or something impracticable or unconstitutional which should be corrected. I stated that I did not think that within the period which I had mentioned there had been spent by us as much as \$5,000.

Then I called the commission's attention to their analysis and interpretation which immediately follows the quotation of the memorandum itself on page 38, and particularly the part where, on page 39, comment is made that certain individuals representing three companies came together and agreed upon certain fixed percentages to be known as the usual percentages "for use in the settlement of 'general, legislative, and litigation matters.'" I called their attention to the comma appearing after the word "general" in their comments on page 39, and to the fact that it does not appear in the copy of the memorandum on page 38, and we had considerable discussion; and the commissioners admitted that the comma after the word "general" certainly enlarged the statement as to the purposes or matters in which the percentage was used to a very high degree.

I said that while I was familiar with the use of the percentage in the handling of litigation matters, which I had mentioned, I knew for a fact that there was no general expense or other matter as to which our company had any agreement with any of the other packers for the settlement of bills or handling of any general items of business, and I stated that it seemed to me that the insertion of the comma after the word "general" was of a type similar to many other places in the report, where a certain incident or item is mentioned and then an extremely broad conclusion based upon it.

I then called the commissioners' attention to a number of places where, respecting the foreign trade and the foreign investments of the different companies, mention is made of packing plants, etc., being owned by four of the packers, naming them, the Cudahy Packing Co. having been omitted, and properly so, because they had no such investment; but that when the general charge is made as to the probability of this country's being involved in its diplomatic relations with the other countries on account of the practices, the charge was immediately made that "the big five" were the ones to be condemned. I stated that, of course, I was not indicating that I would condemn any of the other packers, because I did not know anything respecting their business, but that certainly I thought the Cudahy Packing Co. had a fair

complaint to make when in one paragraph of the report mention is made specifically as to the ownership by other companies than ours of these foreign properties, but we, nevertheless, in the succeeding paragraph are charged with some doubtful practice or some general conspiracy.

As typical of another situation where a very small item is taken advantage of to make a very broad general assertion, I cited them to page 9, where it was stated in connection with the difficulties which the commission had had, that:

"We know also that the five packing companies—Armour, Swift, Morris, Wilson, and Cudahy—conspired together in the preparation of their answers to the commission's inquiries, to the end that all should agree."

I stated that of course I did not know what evidence the commission had upon which the charge was based, but that certainly the charge was not correct so far as our company's affairs were concerned. Then I called their attention to the Traynor memorandum appearing immediately following, and stated that that memorandum referred to the four questions which had been sent out by Commissioner Davies, none of which related to the intimate or business affairs of any one company, but which were of a general nature, as, for instance, "Why are the prices for meat high?" That I felt it was entirely proper, from the standpoint of giving accurate and complete information to the commission, that I should discuss with any one of the packers who was interested in the answers which we proposed to give. I furthermore said that I personally had prepared our answer to these questionnaires; that the question had been submitted to all our department heads; that a large mass of information was brought together and then worked into the form of a printed pamphlet, and that in connection with its being put into final form I brought the pamphlet in printed proof form to Washington and had conferred with the commission's staff and one of the commissioners respecting it, and had secured their, at least tacit, consent to our putting it in printed form; and, furthermore, after this had been done we had circulated the printed copy to the number of several thousands to the commissioners themselves, to their staff, to Congress, cattlemen, and to all whom we thought would be interested in the subject of the packers' economic situation. I stated that we had not consulted with any other concern in the preparation of any report, with the exception possibly of this Davies questionnaire, and that in that case such consultation had not changed the reply in any particular or the facts, it did not seem to me as though there was the slightest basis of any charge of a conspiracy.

Then I called their attention to the item appearing at the bottom of page 4, in connection with these charges of conspiracy, as to "combing" of the company's files, where it is stated that "G. S. Shepard, vice president of the Cudahy Packing Co., admitted that he had ordered his stenographer to make an incorrect copy of a letter, etc., and had himself destroyed the document." I then said that I had come to Washington, without reading the report, which I had sent copies to our Chicago office, and that, without consultation with me or any question from me, Mr. Shepard had just sent in to me a wire which I desired to read into the record, and which was as follows:

"Just finished reading pamphlet you sent. Please note the bottom of page 4. As you know, correspondence mentioned was of a personal nature and Mr. Haines readily agreed to elimination of such portion as was irrelevant to the purpose of the inquiry. Next day he came back for the complete letter, but as it was of no importance I had discarded the same the day before. The whole transaction was done openly and with his consent."

I stated that the Mr. Haines mentioned was one of the commission's investigators, who had come to our office and who had been given free access to our files, and that I remembered his having been there and the circumstance of the letter from which an item of what I thought was a personal criticism made by Mr. Shepard upon one of our other officials had been eliminated; that the criticism had no possible relation to the investigation, and that I knew at the time it had been done and with Mr. Haines's consent. I stated furthermore, that I knew a number of times in the commissioner's practice when similar situations had arisen, and that I understood that they fully sanctioned the matter of protecting individuals' reputation from the possibility of the publication of personal memoranda and the prevention of the encumbrance of the commission's records with a lot of matter which was not of public concern, and I think the commissioners acquiesced in that statement as regards their practice.

I then stated to the commission that the foregoing constituted examples of a good many very important charges as to which I hoped that they would make

the necessary effort to procure the evidence in their files, if any, and that then they would give me the opportunity of going over the matter again with them with the idea of correcting any unjust or erroneous statement which might then appear to have been made as affecting our interests.

I was then asked as to whether or not the points I had made were all in the general pamphlet summary to which I took exception. I stated that they were distinctly not all; that practically every statement in the report was erroneous or distorted, so far as we were concerned, and that I had hoped, however, by mentioning the items which I had, that when we got them worked out so that the commission could satisfy itself that I was correct as to the baselessness of the statements and charges, then we could work along to such other items as I would indicate even more effectively.

Mr. Commissioner Murdock, after I had closed, then stated that he desired to ask me a few questions, which, of course, was entirely satisfactory to me. He thereupon called my attention to a copy of a letter signed by our Mr. E. A. Cudahy, as set out on page 29, taken from a portion of the transcript of testimony in one of the alleged hearings of Mr. Heney on behalf of the Federal Trade Commission. Mr. Murdock asked me whether it was my contention that the Cudahy Packing Co. was in competition with the other packers, and I stated that it certainly was. He then referred me to this letter on page 29, and asked me how I could reconcile that letter with the statement which I had just made. I told him that I was very much interested in his having referred me to that particular letter, and I asked whether or not it would be possible right then to send out and have the letter brought in from the commission's files. After some little discussion, however, it was decided that this could not conveniently be done, and I think at that time Mr. Murdock read the letter over once or twice and then stated that it looked to him as through that was a very clear admission that we were doing business on an agreed percentage at South Omaha and Sioux City. I told him that I thought anyone who understood the business and who read the letter impartially would come just to the opposite conclusion, and that the letter indicated that we were in severe competition in order to get as much as the percentage which apparently some one had in mind was the one we were supposed to get by virtue of some agreement. I then asked Commissioners Murdock and Colver whether they had read all the letters which had been taken from our office at the same time this letter was taken, there having been some 50 of them. They stated that they had not. I asked them to send for the whole 50 letters, and then suggested that they read them all, and that I felt sure that they would come to the conclusion from reading the entire file that Mr. Cudahy and our company was in the position of a man fighting for his life. Mr. Murdock, however, stated that while he would read the other letters, nevertheless, he thought that this particular letter was sufficient to convince him that we were working on an agreed percentage, and, to reinforce his argument, he called my attention to the alleged lead pencil figures which the transcript indicated were on the letter of Mr. Cudahy. I then told him that I was glad he had called my attention to that, because that was the very item that I also was highly interested in, and that I would be still more interested, and they would as well, when they procured the copy in their files. This brought up quite some discussion as to what I had in mind, and finally I stated that all of that material had been inserted obviously by some one in the commissioner's employ after the matter had left our office; that I personally had handled the original, of which a copy was furnished them, that I knew that such lead-pencil figures, nor any other memoranda, did not appear upon our copy nor upon the copy which we furnished. They wanted to know who had put the lead-pencil figures on. I said, of course, I could not tell, but I thought that they would get some interesting light as to the character of this investigation as soon as they saw the handwriting, which no doubt they could identify. I then had a considerable discussion and a good many questions and answers with Mr. Commissioner Murdock, on the basis of this agreed percentage. I denied that there was any and entered into a lengthy discussion to show that the fact that percentages of volume of business, number of employees, number of branch houses, pay rolls, purchase of live stock, and everything else, were bound to be practically constant as between the four or five large competitors, all of ample financial worth, and that the figures remained approximately together was rather an indication of the severity of the competition than the reverse. I also called their attention to the percentage of cattle, and I think of calves, hogs, etc., as it appears on page 11, to be

handled by the so-called "big five," and prophesied that no table which showed any such result as that could be worked out on any basis which would show any percentage similar to those appearing on page 27, and stated that I would be very much interested in getting prompt access to the forthcoming volumes which they claimed would contain the statistical matter furnished by the packers and procured by the commission, because I felt sure that there would be all sorts of variances in any set of percentages. I stated that, of course, after a year's results were known anybody could work out a percentage, but asserted again and again that there was no percentage agreement on the part of our company. With reference to the percentages, and especially the table of similarities appearing on page 27, I called their attention to the fact that owing to the immense volume of business a variance of 1 or 2 per cent up or down would mean quite a number of millions of dollars to any particular company.

I then called particular attention, I think, to the date of the letter of E. A. Cudahy on page 29, which we had previously discussed, namely, June 21, 1911. This period was in the period of the National Packing Co., during which time it was shown in further sections of the report that we had no interest therein, and, in fact, other sections state that we were on the outside of whatever understandings there then were. Then I stated that there were a number of instances in this report where in the forepart we were charged with being in and then in a later section we were charged with being out, and that letters and other evidence was used many times either within or without the period to prove just exactly the converse of the thing that had been charged in another section, and that all of this, it seemed to me, was entirely characteristic of the report. I called their attention to the chart showing intercorporate relations, and indicated that there were a considerable number of companies to which we seemed to be connected which I had never heard of; that I knew the packing company had no stock in any of them and that if either of the Cudahy families, as a personal investment, had even a few shares I would be very much surprised.

I think the discussion closed about at that point. The chairman then stated that a copy of the memorandum would be furnished to Mr. Durand and that he would be asked to look up the evidence on the points which I had called to their attention. He further stated that he would advise me when they would be ready to take the matter up with me further. I then asked them if they would not be especially careful to secure the E. A. Cudahy letters and read them with an open mind. Mr. Murdock said that he felt satisfied from the reading of the letter quoted on page 29 that we were engaged in an agreement with the other packers. I protested that the letter was certainly open to just the reverse interpretation and indicated competition; that certainly if there had been any agreement for 30 per cent there was no reason for his having to fight for it or for disturbing a market if he got it. Commissioner Murdock remarked that certainly what he had in mind could certainly be read into it. I then stated that I hardly anticipated that he would prejudge the evidence and would seek to "read into" the evidence a conclusion which he evidently had formed or that he would seek to justify his conclusion and make the evidence conform to it.

After some further discussion of the record, I asked the chairman when possibly I would be able to secure the copy of the transcript which had been promised to me. I was then informed that the furnishing of such a transcript would have to be taken under advisement by the commission, and that I would be informed later. I suggested that it had already been promised to me, but we passed out of the room at that time without an understanding having been reached. On Thursday I made several requests in the endeavor to find out whether the transcript had been written and whether I could get a copy, and found it had not been. On Friday morning I again inquired and was informed that the Commissioner had issued instructions that the transcript should not be written up for any one, and that I was not to be furnished with a copy. I then took the matter up with the commission and received the promise that I would receive a copy when it was written up. Upon asking if it ever would be written up, it was stated that no answer would be given to that question. I then arranged to have the matter taken up further with the commissioners themselves, upon the basis of a request that at my expense they were to instruct or permit their stenographers to write up a copy for me, and that is the status of the matter at the time this memorandum is prepared.

THOS. CRAIGH.

Mr. CREIGH. If I may have just a few minutes more, I would like to go to a discussion of one or two of, what seemed to me, the high-spot points in the bill.

The CHAIRMAN. Do you also want to insert the small pamphlet entitled "Extracts from the annual statement of E. A. Cudahy, president of the Cudahy Packing Co. to shareholders"?

Mr. CREIGH. Yes, sir. The little financial statement simply rather emphasizes the general size of our business and what we think is its importance in the community.

(The statement above referred to is as follows):

During the past year probably the most conspicuous features in our business are (a) its heavy expansion due largely to war causes, and (b) the greatly increased control as a war emergency measure by the Government and the regulation of almost all of our activities by a large number of different bureaus.

As illustrating the enormous expansion of the business and of the industry (in which our company has fully measured up), I am quoting the following statistics taken from some recent compilations:

"The largest exportation of fresh beef in any year prior to the war was 852,000,000 pounds in the year immediately preceding the war, while the total was * * * pounds in the fiscal year 1901; then dwindling down year by year to only 6,000,000 pounds in the year immediately preceding the war, while the total for the 10 months ending with October of the current year was 417,000,000 pounds.

"Pork products also show a new high record in quantities as well as in values. The total quantity of bacon exported in the 10 months ending with October, 1918, was 906,000,000 pounds, against a former high record of 593,000,000 pounds in the full fiscal year 1916. Hams and shoulders in the same 10 months were 478,000,000 pounds, against 287,000,000 pounds in the full fiscal year 1916."

A fair understanding of these figures and what they mean in the way of increased labor and of financing, because of the higher prices paid by us for live stock and for labor, as well as for the reasons they indicate as to the higher prices therefore necessarily charged by us, would show conclusively the causes for the increased cost of living in this country as far as meats are concerned.

We wish that the public could from day to day follow accurately with us the costs of labor, material, and live stock, and could see with us how these items account for the increased price of meats. Two things are fundamental. Cheap meats can not be made from high-priced live stock with high-priced labor. Neither does the total packers' profit, which amounts at best to but a fraction of a cent a pound, have any material effect upon the prices, which the consumer pays to the retailer for meats and other products.

By referring to the figures shown in our annual financial statement, it will be observed that if total reserves for income and war revenue taxes be added to our net profits as shown, we still have made less than 2.15 cents out of each dollar we have taken in, and that our average profit has been slightly less than one-half cent per pound on the total volume handled, including both edible and inedible products.

The increased cost of live stock and of labor present a tremendous problem to the packer, due to the necessity of financing the business on this high basis and of procuring funds for this purpose. An indication of this is given in the statistics of our own company, where the amount of our inventory covering products on hand and in process, etc., in various periods has been as follows:

On October 28, 1916.....	\$16,282,712
On October 27, 1917.....	32,647,635
On November 2, 1918.....	41,664,734

If we handled the meat and other products derived from live stock and nothing else, the industry would be sufficiently complex; but in the natural development of the distribution of food products requiring refrigeration to bring them to the consumer in the very best form, the packing industry has grown so that it handles many other items of food than those derived from

1164 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

animals. This is very much to the benefit of both the producer and consumer. Also, in connection with the handling of inedible materials derived from animals, such as hides, soaps, etc., it has been necessary to fill in with related lines comprising a very large number of other items. This brings us in touch with many other industries, each of which presents its problems, in the fair solution of all of which we are, of course, concerned.

During the period of the war, the most marked change from the past was the large measure of control exercised by the Government. This existed through the Food, Railroad, and Fuel Administrations, war and arbitration boards. Exports and priorities were regulated; also there was control of profits through taxation in many items; even prices were fixed by the Government. Not only through the exercise of this control was the Government a large factor in the packing industry, but through its own purchases of supplies for our own military forces and its cooperative buying on behalf of the allies and other governmental agencies, it was in a position to largely dominate and control the markets.

In the year 1913 for the first time the gross sales of this company were above \$100,000,000. The excess was from the products not derived from animals. During the fiscal year just closed our gross sales have amounted to around \$286,000,000, of which \$50,000,000 approximately have been from nonanimal products. In 1913 our company paid to the farmers of the United States some \$75,000,000 for the animals purchased. This year, and for a volume and weight approximately 33½ per cent greater, we have paid more than \$180,000,000. In 1913 we paid to our employees some \$7,000,000 for wages and salaries. This year we have paid them in excess of \$15,500,000. Our net profits as compared to 1913 are in about the same ratio to our turnover as in that year.

All of this large expansion in our business has been brought about not only under Government control exercised in connection with its war operations but has only been possible by the combined efforts of the company and its management and by the cooperation of our own employees, of live-stock producers, and of Government agencies as well, all working to the common end of expanded production and increased distribution on fair terms to all.

But in the course of demobilization and reconstruction we must not fail to utilize and apply the lessons which we have learned, where cooperation has brought success. The spirit of understanding between our Government, the leaders of our industry, the live-stock producers, our wage earners, and the public, which was increasing during the war and which appeared to be in the course of being harmonized, must for the future be still improved. There have been difficulties and misunderstandings in the past, but a proper understanding by all factors in the industry should be able to cure this. I know of nothing which would give me greater satisfaction than to have the live-stock interests partners with us in our business through the ownership of stock in our company.

I believe that it would be to their advantage, as well as ours not alone in a financial way but because it would lead to a better understanding by the producer of the packers' business and problems.

The Cudahy Packing Co.

Balance sheet November 2, 1918.

ASSETS.		
Current and working assets:		
Cash.....	\$1,446,624.44	
Accounts and notes receivable.....	19,267,330.86	
Investments in stocks and bonds.....	2,003,836.36	
Product and supplies.....	43,266,288.42	
		\$69,074,180.08
Fixed assets:		
Car and refrigerator line.....	1,481,740.16	
Packing and manufacturing plants—Real estate, buildings, machinery, etc.....	13,978,462.37	
Sales branches—Real estate, buildings, and equipment.....	2,783,090.94	
		18,243,298.47
Bonds and note discount (being amortized).....		763,695.53
		<u>\$88,081,169.08</u>

LIABILITIES.

Current and accrued liabilities:		
Notes and accounts payable.....	\$33,936,466.22	
Bonds and note interest accrued.....	387,912.58	
		34,324,378.78
Reserve for Federal income and war profits, taxes, and contingencies.....		2,785,412.48
Seven per cent sinking fund five-year gold notes: Authorized and issued.....		10,000,000.00
Five per cent first mortgage gold bonds:		
Authorized.....	\$12,000,000.00	
Issued.....	9,000,000.00	
Less—Retired through sinking fund.....	521,700.00	
		8,478,300.00
Capital stock:		
Authorized and outstanding—		
Preferred—6% cumulative.....	2,000,000.00	
Preferred—7% cumulative.....	6,550,500.00	
Common.....	11,449,500.00	
		20,000,000.00
Surplus.....	\$10,498,269.24	
Net profit for year.....	\$3,376,808.58	
Dividends paid.....	1,380,000.00	
	1,996,808.58	
		12,498,077.82
		32,498,077.82
		88,081,169.08
Sales for year ending Nov. 2, 1918.....		236,660,971.48
Sales for year ending Oct. 27, 1917.....		184,811,423.84

The CHAIRMAN. Do you also wish this large pamphlet entitled "Statement submitted by the Cudahy Packing Co. Respecting the Problems, Prices, and Profits of the Packing Industry," inserted also?

Mr. CREIGH. Yes, sir; that is the Davies questionnaire. I notice it is in substantially the same form as those pamphlets have already been put in the record by Armour, Swift, and Morris.

(The pamphlet above referred to is inserted in the official record at this point.)

STATEMENT SUBMITTED BY THE CUDAHY PACKING CO. RESPECTING THE PROBLEMS, PRICES, AND PROFITS OF THE PACKING INDUSTRY.

[In response to a questionnaire submitted by the Hon. Joseph E. Davies, Federal trade commissioner, as a part of the pending investigation by the commission into the question of foods, including meats and their products and distribution.]

QUESTIONS.

I. As you are aware, there is widespread complaint among consumers as to the prices of all meats and other animal food products. The commission would like your views as to the cause of present high prices, to what extent they are justified, and if in your judgment there is not complete justification for them, what factor or factors in the production and distribution of meat animals and their products can be justly criticized?

II. The meat packer stands between the producer of meat animals on the one hand, and the retail distributor of their products on the other. In what

1166 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

respect, if any, does either of these three agencies, in your opinion, fail to perform its proper function in serving the ultimate consumer?

III. In your opinion is the present vast system of conducting the meat business from the raising of the animals on the range and farm through all the steps to the table of the consumer the result of the operation of healthy, natural laws or is it in part the result of efforts, either conscious or unconscious, to interfere with the operation of such laws?

IV. What, if any, are the economic weaknesses of the existing system, and what remedies do you suggest for any existing evils?

CHICAGO, ILL., July 28, 1917.

HON. JOSEPH E. DAVIES,
*Commissioner, Federal Trade Commission,
Washington, D. C.*

MY DEAR SIR: On behalf of our company I acknowledge receipt of your favor of July 23 being an identical letter which you are submitting to various other corporations engaged in the packing business, including a questionnaire and inclosing a copy of the letter of instructions addressed to the Trade Commission by the President, dated February 7, 1917, in accordance with which and with the terms of the recent \$250,000 appropriation by Congress, we understand that the investigation recently begun respecting the prices, costs, and profits of meats and other food products is being conducted. You may count upon the hearty cooperation of our company to aid you in your investigation, for we are sincerely anxious to have your report of such breadth, completeness and accuracy that it may result in the public being informed respecting the facts as to why the prices of meats and other food products are high, and as to whether any factor in the chain involving the production, preparation, and distribution of foods is operating either in an uneconomic or an extortionate manner, so as to be taking an undue amount from the ultimate consumer by reason of an unwarranted profit or otherwise.

In this connection we feel sure that you will pardon us at this time in voicing our regret in learning from you that the Trade Commission is not itself to undertake an investigation of the costs, prices, and profits of the live stock raiser and feeder, or of the retail butcher. In order that the public may be informed as to the facts covering the precise question upon which it desires information, and to answer which we take it the President's letter and the appropriation of Congress directed the investigation of your commission, it would seem to us as though consideration toward securing as accurate and complete information from the other factors involved in the production and sale of meats should be given by your commission, as is planned with reference to the packing industry—which, as you state simply "stand between the producers of meat animals on the one hand and the retail distributor of their products on the other."

And we venture to express the hope and belief that during the course of the investigation the commission itself will broaden the field of its work so that the complete story may be told, and that the public may know the facts in their entirety. We feel sure that such an investigation will demonstrate that, so far as the packing industry is concerned, its operations both of manufacture and distribution are conducted with great economy and with a minimum profit considered from the standpoint of the risk taken and the services performed. And while we say this, we do not mean to indicate that any blame will be found to attach to the other factors included in the production and sale of meats. No doubt, just as in the case of the packer, the live stock producer faces greatly increased costs of production, and equally the retailer, in his distribution, due to the extreme degree and costly nature of the service which the public demands of him, will be found to have justification for his portion of the high prices paid by the consumer.

Four very interesting and comprehensive questions are submitted to us in your letter for answer. The proper conclusion upon them is largely what we expect to see the commission state in its final report. Correct, accurate information and a breadth of understanding, both of the future and of the past of this country in its transition from an agricultural community to a highly specialized industrial Nation affords a wonderful field for investigation, study, and statesmanlike judgment.

We venture to reverse the order of your questions and to give you our views first on question 4, which is as follows:

"What if any are the economic weaknesses of the existing system, and what remedies do you suggest for any existing evils?"

(a) In our judgment one of the greatest handicaps to which the packing industry is subject is the almost entire lack of understanding by the public, and by the Government, of the facts of the business. Indeed, due to their complexity and the great mass of factors and details, it may fairly be said that those engaged in the business seldom analyze them with reference to the principles and economic laws to which they are subject.

By the consuming public and by the press, the packing industry is almost always considered from the standpoint of the price of a porterhouse steak. Usually the standard from which the invariable conclusion that "the price is outrageously high" is arrived at, is the price appearing upon the menu card of a fashionable restaurant, or the price charged by a butcher who receives an order from a customer over the telephone and delivers the meat later by an automobile. The fact is that the packer is responsible for neither. He is a manufacturer and a jobber dealing almost exclusively with retailer butchers, and selling at a lower scale of prices than the public sees or realizes.

A good illustration of what we have in mind as showing lack of understanding by the press and the difficulty of having the public understand the facts, we quote the following from a recent issue of a metropolitan daily:

"EDITORIAL.

"We have good food commissions and very high food prices.

"How much are you paying for meat? Do you get any really good meat for 18 cents a pound?"

"Has anybody promised to let you have good meat soon for 15 cents a pound? We guess not.

"Did you read the little cable dispatch sent by the Associated Press from London? Over there a certain Lord Rhondda is the 'Food Controller.'

"The cable announced that he had reduced the price of bread one-quarter. Beginning in September the price of meat will be \$18.50 a hundred weight—18½ cents a pound, and 'further reduced each month to January, when the maximum is to be \$15 a hundred, or 15 cents a pound.'

"If you eat mutton you pay 30 cents for it, or more.

"If you eat beef you pay still more.

"We are unable to advise you that you will soon be paying less. Checked by a horror of gambling, we can not offer a better suggestion, but we think that in January you will be paying more.

"It may comfort you to know that the English will be paying 15 cents a pound for meat soon, and it may interest you to ask yourself, in the language of our comic artist, 'How do they do it?'

"When you consider that we are building ships as fast as we can to carry food and bullets to England, and when you read in the papers constantly that we should not complain, because our duty is to feed our allies, and then when you read that England, our biggest ally—under very good management—is getting meat for something less than half you pay for it over here, you are intensely delighted to know how good conditions are over there—and puzzled."

The most casual investigation with reference to the facts would have disclosed that the prices of many kinds of meats to the consumer in this country are already less than 18½ cents and that English prices in the alleged quotation from the food controller are not only extremely indefinite as regards the kind of meats, but are inaccurate in fact. Furthermore it is not stated whether the prices given are the jobbers' prices or the consumers' prices. The casual reader would assume that these are consumers' prices. The facts are well shown by the following quotation from the Meat Trade Journal of London of July 19, 1917—the latest issue to which we have access.

It will be noted that these are jobbers' prices and that they in certain cases exceed the "30 cents or more" which the editorial states as the consumers' price in this country, and are in all cases in excess of 18 cents. No consumers' price by September 1 next of 18½ cents is possible.

1168 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Central meat market, Smithfield, London.

[All quotations are per stone of 8 pounds.]

Description.	Thursday. July 12.		Monday. July 16.		Wednesday. July 18.	
Beef:	s. d.	s. d.	s. s.	s. d.	s. d.	s. d.
Scotch short sides.....	10 4	to 11 0	10 4	to 10 8	10 4	to 10 8
Scotch long sides.....	9 10	to 10 4	9 4	to 10 0	9 4	to 9 8
English long sides.....	8 6	to 10 0	8 4	to 9 8	8 4	to 9 4
Irish (Birkenhead killed).....	9 0	to 9 8	9 0	to 9 4	8 4	to 9 4
States chilled hindquarters.....	8 8	to 9 4	8 0	to 9 4	8 10	to 9 4
States chilled forequarters.....	7 0	to 7 2	7 0	to 7 2	6 10	to 7 2
States frozen hindquarters.....	7 10	to 8 4	8 0	to 8 4	8 0	to 8 4
States frozen forequarters.....	6 0	to 6 4	6 2	to 6 6	6 2	to 6 6
Argentine chilled hindquarters.....	8 10	to 9 0	8 6	to 9 0	8 6	to 9 10
Argentine chilled forequarters.....	6 10	to 7 0	6 10	to 7 2	6 8	to 7 0
South African frozen hindquarters.....	7 8	to 8 0	8 0	to 8 4	8 0	to 8 4
South African frozen forequarters.....	6 4	to 6 8	6 2	to 6 6	6 2	to 6 4
Mutton:						
Scotch.....	10 0	to 11 0	10 4	to 11 0	9 8	to 10 4
Scotch tags.....	10 8	to 11 0	10 8	to 11 4	10 0	to 10 4
English.....	9 0	to 10 4	9 4	to 10 4	9 4	to 10 0
English tags.....	9 8	to 10 8	10 0	to 10 8	9 8	to 10 4
English ewes.....	8 4	to 9 0	8 8	to 9 4	8 8	to 9 0
Irish.....	9 4	to 10 0	9 4	to 10 0	9 4	to 9 10
River Plate.....	6 8	to ..	6 8	to ..	6 8	to ..
Lamb:						
Scotch.....	11 0	to 11 8	11 4	to 12 0	11 0	to 11 8
English.....	10 0	to 11 4	10 4	to 11 8	10 4	to 11 4
Welsh.....	11 0	to 11 4	..	..	10 8	to 11 4
Irish.....	9 10	to 10 4	10 6	to 11 0	10 0	to 10 8
New Zealand.....	7 0	to ..	7 0	to ..	7 0	to ..
Australian.....	7 0	to ..	7 0	to ..	7 0	to ..
Argentine.....	7 4	to ..	7 4	to ..	7 4	to ..
Veal:						
Best.....	9 8	to 10 4	9 0	to 10 0	9 0	to 10 0
Secondary and middling.....	7 0	to 8 8	6 8	to 8 4	6 8	to 8 4
Pork:						
English, best.....	9 6	to 9 10	9 6	to 9 8	9 8	to 10 0
English, seconds and thirds.....	9 0	to 9 4	8 8	to 9 4	9 0	to 9 4
Sows.....	..	to 8 0	8 0	to 8 2	8 0	to 8 2
Frozen.....	7 2	to 7 8	6 10	to 7 9	6 10	to 7 9

NOTE.—The highest price quoted for United States chilled hindquarters was 9s. 4d. and the lowest 8s. 4d. and for United States chilled forequarters from 7s. 3d. to 6s. 10d. These prices are per stone of 8 pounds, and represent the wholesale market prices.

The English pound sterling at present is worth \$4.76, and this makes the equivalent prices as follows:

Hinds.....	8/6 to 9/4—25.3 to 25.9
Fores.....	6/10 to 7/3—18.1 to 21.6

Figuring hinds and fores of equal weight, this will make straight sides from 21.7 to 24.2, and you will note that these prices are practically the equivalent of the American jobbers' prices plus freight, war risk, and marine insurance, commission, etc., so that there is no truth whatever in the report that American beef is selling in London at less than they are in this country.

You will also note that Scotch beef is selling at higher prices than United States, and that Argentine is selling at less money.

Of course, due to the fact that the English people do not demand and receive the costly retailers' service, particularly its expensive delivery and rental features, and are content to largely carry their purchases themselves to their homes, the consumers' price in Great Britain does not show such an advance over the jobbers' price as is the case in this country.

While the sale of beef and all products derived from cattle represents a very large sum of the business of the packing industry, it does not represent its largest portion in volume. We believe that your investigation will show that what, if any profit, there is realized by the packing industry from the sale of beef, is practically nominal and that even allowing to the beef any profit which may be realized from all the by-products secured from the handling of the cattle, it is less remunerative than any other department operated by a packer.

We believe further that the results of your investigation will be to disclose that in the handling of cattle and the sale of the beef and other edible products derived from them, that the packers generally have been an active force as the results of which, during these wartime conditions particularly, the price of

meat to the consumer has advanced less and has been confined more nearly to the normal price than that of any other food commodity.

Unfortunately for the packer, he comes in contact with the public to a large extent as the producer of a daily food. The copper mine owner or the steel producer has an enormous advantage in this respect over the packer. The public does not realize that the profits of one copper mining company last year on a volume of sales not one-twenty-fifth that of the volume of the five largest packers made almost as much as the aggregate made by all those firms. The present quarterly earnings of a leading steel corporation, the volume of whose total sales annually is not the equivalent of the production of the packing industry, presents ordinarily a sum of money which the latter industry has not earned in any two of its most satisfactory years.

(b) Another of the weaknesses of the packing industry as at present constituted is the relatively small amount of increment in value which it is able to add by its operations to the cost of its raw materials. This point is well shown by several of the most recent reports covering United States census. For example, we quote the following from page 35 of the Abstract of Census of Manufactures of 1914, which includes a comparison with the census of 1909:

Slaughtering and meat packing 1914 and 1909.

Establishments engaged primarily in.	Census year.	Number of establishments.	Wage earners, average number.	Capital.	Wages.	Cost of materials.	Value of products.	Value added by manufacturing.
Expressed in thousands.								
Total.....	1914 1909	1,279 1,221	98,832 87,813	\$534,274 378,319	\$62,136 50,404	\$1,441,663 1,191,438	\$1,651,965 1,355,545	\$210,302 164,107

Judged from the standpoint of the value of its products, the slaughtering and meat-packing industry has for years ranked first of the industries of the United States. It will be noted that out of the total production of a value of nearly \$1,652,000,000 the value added by manufacture in 1914 amounts to only \$210,000,000, or an item of about 12½ per cent. Of the 48 industries in the United States each producing in excess of \$100,000,000 annually, this percentage of increment in value is the third from the lowest, lead smelting and sugar refining being practically 10 per cent, and the general average of all being in excess of 40 per cent.

Geographical analysis by States of U. S. Department of Agriculture, B. A. I. meat inspection slaughtering establishments.

[Rearranged from table beginning p. 42, Directory of B. A. I., Oct. 1, 1916.]

Number of establishments.	State.	B. A. I. station.	Substation.	Name under which establishment is operated.
2	Alabama.....	Andalusia.....	.....	Andalusia Packing Co.
1	Arizona.....	Birmingham.....	.....	Birmingham Packing Co.
7	California.....	Bisbee.....	.....	E. A. Tovres & Co. (Inc.).
		Los Angeles (4).....	.....	The Cudahy Packing Co.
		.....do.....	Pomona.....	Hauser Packing Co.
		.....do.....	.....	San Antonio Meat Co.
		San Diego (1).....	.....	Wilson & Co. (Inc.).....
		San Francisco (2).....	Arcata.....	Chas. S. Hardy.
		.....do.....	.....	J. C. Bull, jr., Co.
4	Colorado.....	Denver (3).....	.....	Western Meat Co.
		.....do.....	.....	Armour & Co.
		.....do.....	.....	Cap. Meat & Livestock Co.
		Pueblo.....	.....	Swift & Co.
1	Connecticut.....	New Haven.....	.....	The Nuckolls Packing Co.
2	Delaware.....	Wilmington.....	.....	The Sperry & Barnes Co.
		.....do.....	.....	The Hart & Bro. Co.
				Wilmington Abattoir & Cold Storage Co.

1170 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Geographical analysis by States of U. S. Department of Agriculture, B. A. I. meat inspection slaughtering establishments—Continued.

Number of establishments.	State.	B. A. I. station.	Substation.	Name under which establishment is operated.
2	Dist. of Columbia..	Washington.....	Bennine.....	Washington Abattoir Co.
		do.....	Roslyn, Va.....	Roslyn Packing Co.
2	Georgia.....	Augusta (2).....		Augusta Abattoir.
		do.....	Moultrie.....	Moultrie Packing Co.
2	Idaho.....	Boise.....		Boise Butcher Co. (Ltd.).
		Moscow.....		Hocan & Cushing Co.
20	Illinois.....	Alton.....		Luer Bros. Packing & Ice.
		Chicago (18).....		John Agar Co.
		do.....		Armour & Co.
		do.....		Boyd, Lunham & Co.
		do.....		Brennan Packing Co.
		do.....		Chicago Packing Co.
		do.....		Independent Packing Co.
		do.....		Libby, McNeill & Libby.
		do.....		Miller & Hart.
		do.....		Morris & Co.
		do.....		Louis Pfelzer & Sons.
		do.....		Roberts & Oakre.
		do.....		Charles F. Sabine.
		do.....	Zion City.....	Stiegel-Hochmeyer Packing.
		do.....		Wilson & Co. (Inc.).
		do.....		Swift & Co.
		do.....		Western Packing Co. (2).
		do.....		Western Packing & Provision.
		Jacksonville.		Jacksonville Packing Co.
		National Stockyards (7)	East St. Louis.....	Armour & Co.
		do.....		East Side Packing Co.
		do.....		Farmers Serum Co.
		do.....	Granite City.....	Morris & Co.
		do.....		Gregory Farm Laboratory.
		do.....	White Hall.....	Swift & Co.
		do.....		The Universal Serum Co.
		Peoria.....		E. Godel & Sons.
		do.....		Wilson Provision Co.
12	Indiana.....	Evansville.....		The Evansville Packing Co.
		Fort Wayne.....		Fred Eckart Packing Co.
		Indianapolis (5).....		Brown Bros.
		do.....		Indianapolis Abattoir.
		do.....		Kinman & Co. (Ltd.) (2).
		do.....		Wabash Packing Co.
		Lafayette.....		Dryfus Packing Co.
		Jogansport.....		W. C. Routh & Co.
		Madison.....		The Pearl Packing House.
		Richmond.....		Anton Stolle & Son Packing.
		Terre Haute.....		Home Packing & Ice Co.
10	Iowa.....	Davenport.....		Kohrs Packing Co.
		Cedar Rapids.....		T. M. Sinclair & Co. (Ltd.)
		Dubuque.....		Dubuque Packing Co.
		Mason City.....		Jacob F. Decker & Sons.
		Ottumwa.....		John Morrell & Co.
		Sioux City (4).....		Armour & Co.
		do.....		The Cudahy Packing Co.
		do.....		R. Hurni Packing Co.
		do.....		Statter & Co.
		Waterloo.....		Rath Packing Co.
21	Kansas.....	Arkansas City.....		Henneberry & Co.
		Kansas City (16).....		Armour & Co.
		do.....		Joseph Baum.
		do.....		Cochrane Packing Co.
		do.....		The Cudahy Packing Co.
		do.....		B. A. Jackson & Co.
		do.....		George Kaiser.
		do.....		Missouri Valley Pack.
		do.....		Morris & Co.
		do.....	Olathe.....	Olathe Packing Co.
		do.....		Royal Packing Co.
		do.....		The Sthler Hog (hoklers Serv.
		do.....		Co.
		do.....		The Standard Serum Co.
		do.....		Stockyards Packing Co.
		do.....		Wilson & Co. (Inc.).
		do.....		Swift & Co.
		do.....		The Termier Packing Co.
		Toreka.....		Charles Wolff Packing Co.
		Wichita (2).....		Cudahy Packing Co.
		do.....		Jacob Dold Packing Co.
		Pittsburg.....		The Hull & Dillon Packing Co.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1171

*Geographical analysis by States of U. S. Department of Agriculture, B. A. I.
meat inspection slaughtering establishments—Continued.*

[illegible]

1172 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Geographical analysis by States of U. S. Department of Agriculture, B. A. I. meat inspection slaughtering establishments—Continued.

Number of establishments.	State.	B. A. I. station.	Substation.	Name under which establishment is operated.
1	Nevada.....	Reno.....		Nevada Packing Co.
10	New Hampshire...	Bellows Falls, Vt.	Keene, N. H.....	Cheshire Farm.
	New Jersey.....	Jersey City (3).....	North Bergen.....	Jersey City Stock Yards.
		do.....		Charles Miller & Co.
		do.....		Nagle Packing Co.
		Newark (5).....		John Engelhorn.
		do.....		A. Fink & Sons (Inc.).
		do.....		Schloss, Held & Schloss.
		do.....	Kearney.....	Swift & Co.
		do.....	do.....	Bimbler Co.
		Paterson.....		D. Fullerton & Co.
31	New York.....	do.....		The Henry Muhs Co.
		Albany.....		Louis Newhoff.
		Brooklyn (6).....		A. Aron.
		do.....		C. Lehman.
		do.....		Aaro Levy & Co.
		do.....		M. & D. Levy.
		do.....		Weill & Isaacs.
		do.....		Chieffetz & Greenber.
		Buffalo (7).....		The Danahy Packing Co.
		do.....		Jacob Dold Packing Co.
		do.....		L. P. Fuhrmann.
		do.....		Klinck Bros.
		do.....		C. Klinck Packing Co.
		do.....		New England Dressed Meat & Wool Co.
		do.....		Joseph Seblan.
		Paterson.....	Chester, N. Y.....	Frank J. Murray Co. (Inc.).
		New York (16).....		Armour & Co.
		do.....		M. Crane Co.
		do.....		Fixe & Hutwelter, Co.
		do.....		Moe Frank.
		do.....		Thos. Hallizan.
		do.....		J. J. Harrington & Co.
		do.....		Manhattan City Dressed Beef Co.
		do.....		New York Veal & Mutton
		do.....		Samuel Plant.
		do.....		Rhoe & Bros.
		do.....		J. M. & P. Scanlan.
		do.....		Joseph Stern & Son (Inc.).
		do.....		Strauss & Adler.
		do.....		Wilson & Co.
		do.....		Swift & Co.
45	Ohio.....	Cincinnati (33).....		United Dressed Beef Co.
		do.....		Jacob Bauer's Sons.
		do.....		Butchers Packing Co. of Cincinnati.
		do.....		The Cincinnati Abattoir.
		do.....		G. Erhardt & Sons.
		do.....		Charles A. Freund.
		do.....		Ernest Freund.
		do.....		S. W. Gall.
		do.....		Ehrhardt Haehnle.
		do.....		John Hilberg.
		do.....		John Hoffmann Packing Co.
		do.....		John Hoffmann Sons Co.
		do.....		John Jockers.
		do.....		Gustav Juengling.
		do.....		E. Kahn's Sons Co.
		do.....		Kroger Groceries & Baking Co.
		do.....		Michael Kuhn, J.
		do.....		A. Lowenstein's Sons Co.
		do.....		The Lohrey Packing Co.
		do.....		H. H. Meyer Packing Co.
		do.....		Henry Meyer's Sons.
		do.....		Peter Mode.
		do.....		Mohawk Beef Co.
		do.....		Chas. Pancero.
		do.....		Daniel Pogundick.
		do.....		W. G. Rahn.
		do.....		Rahn Bros.
		do.....		Geo. Rupp Packing Co.
		do.....		A. Sander Packing Co.
		do.....		Jacob Schlachter's Sons
		do.....		J. & F. Schroth Packing Co.
		do.....		Swift & Co.

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1178

Geographical analysis by States of U. S. Department of Agriculture, B. A. I. meat inspection slaughtering establishments—Continued.

Number of establishments	State.	B. A. I. station.	Substation.	Name under which establishment is operated.
45	Ohio.....	Cincinnati (33).....		Jacob Vogel & Son.
		do.....		Geo. Zehner Provision Co.
		Cleveland (6).....		Blumenstock & Reid Co.
		do.....		Cleveland Provision Co.
		do.....		Lake Erie Provision Co.
		do.....		Ohio Provision Co.
		do.....		Swift & Co.
		do.....		Theurer Norton Provision Co.
		Columbus.....		Columbus Packing Co.
		Dayton (3).....		Henry Burkhardt Packing Co.
		do.....		William Focke & Sons Co.
		do.....		Chas. Sacher Packing Co.
		Toledo.....		Jacob Folger.
		do.....		Zehner Bros. Packing Co.
3	Oklahoma.....	Oklahoma City (3).....		Oklahoma Stockyards Serum Co.
		do.....		Morris & Co.
		do.....		Wilson & Co.
		do.....		Swift & Co.
1	Oregon.....	North Portland.....	Portland.....	Arbogast & Bastian Co.
25	Pennsylvania.....	Allentown.....		Wm. Live Stock Co.
		Hallstead.....		Swift & Co.
		Harrisburg.....		John Bower Co.
		Philadelphia (18).....		A. H. March Packing Co.
		do.....	Bridgeport.....	John J. Buckley Co. Inc.
		do.....	Chester.....	Clement C. Allen (Inc.).
		do.....	Media.....	Louis Burk.
		do.....		John J. Fein & Co.
		do.....		Geo. Hausmann & Sons.
		do.....		D. B. Martin Co. (2).
		do.....		R. J. Maynes.
		do.....	Glen Olden.....	H. K. Mulford Co.
		do.....		New England Supply Co.
		do.....	Reading.....	Reading Abattoir Co.
		do.....		A. Darlington Strode.
		do.....	West Chester.....	Roech Packing Co.
		do.....		F. G. Borg & Son.
		do.....		West Philadelphia Stockyards Co. (2)
		Pittsburgh (3).....		Dunlevy Packing Co.
		do.....		Pittsburgh Provision and Packing Co.
		do.....		William Zoller Co.
		Pottsville (2).....		Seltzer Packing Co.
		do.....		Jacob Ulmer Packing Co.
1	Rhode Island.....	Providence.....	Pawtucket.....	Campbell & Co.
1	South Carolina.....	Augusta, Ga.....	North Augusta, S. C.....	Butchers Abattoir Co.
3	South Dakota.....	Sioux Falls (2).....		John Morrell & Co.
		do.....		Wilson & Co.
		Watertown.....		The Wholesale Packing Co.
4	Tennessee.....	Morristown (3).....		S. M. Hartsinger Co.
		do.....		Morristown Produce & Ice Co.
		do.....		Morristown Packing Co.
		Nashville.....		Neuhoff Abattoir Co.
4	Texas.....	Fort Worth (3).....	Dallas.....	Armstrong Packing Co.
		do.....		Armour & Co.
		do.....		Swift & Co.
		Houston.....		Houston Packing Co.
2	Utah.....	Ogden.....		Ogden Packing & Provision Co.
		Salt Lake.....		Cudahy Packing Co.
2	Vermont.....	Bellevue Falls.....		S. J. Gray Packing Co.
		Burlington.....		Burlington Butchering Co.
3	Virginia.....	North Tazewell.....		Tazewell Packing Co.
		Richmond (2).....		W. S. Fortes & Co.
		do.....		Kingin & Co. (Ltd.).
8	Washington.....	Lewiston, Idaho (2).....	Clarkston, Wash.....	W. H. Hessel.
		do.....		Inland Me. Co.
		Seattle (3).....		A. L. Brown Farm.
		do.....		Barton & Co.
		do.....		Erve & Co.
		Spokane.....		E. H. Ganten Co.
		Tacoma.....		Carstedt Packing Co.
		Walla Walla.....		Walla Walla Meat & Storage Co.

1174 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Geographical analysis by States of U. S. Department of Agriculture, B. A. I. meat inspection slaughtering establishments—Continued.

Number of establishments.	State.	B. A. I. station.	Substation.	Name under which establishment is operated.
4	West Virginia.....	Huntington.....	.....	Pesenmeyer Packing Co.
		Wheeling (3).....	.....	Paul O. Reymann Co.
		do.....	.....	F. Schenk & Sons Co.
10	Wisconsin.....	do.....	.....	Geo. L. Zoeckler.
		Wausau.....	.....	Farmers Co.-Op. Packing Co.
		Eau Claire.....	.....	Drummond Packing Co.
		Grand Rapids.....	.....	Reiland Packing Co.
		Jefferson.....	.....	C. Stoppenbach's Sons.
		Milwaukee (5).....	.....	R. Gums & Co.
		do.....	.....	The Laiton Co.
		do.....	.....	Swift & Co.
		do.....	Cudahy.....	Cudahy Bros. Co.
		do.....	Fort Atkinson.....	Jones Dairy Farm Co.
1	Wyoming.....	Richland Center.....	.....	Old Home Farm Products Co.
		Cheyenne.....	.....	Hammond Packing Co.

Total number of establishments, 329.

Out of this increase in value must be paid wages, rents, taxes, interest, depreciation, repairs, insurance, advertising, and other sundry expenses. Wages alone amounted to over \$62,000,000, or about double the entire net profits. We venture the assertion that no other industry in the United States operates on such a narrow margin of net profits based upon the value of its output as does the packing industry; and in making this comparison it should be further borne in mind, and the public does not generally realize, that the packer in addition to manufacturing and preparing food products is also, through his branch houses, car routes, and other facilities, largely the distributor and jobber of the goods, thus performing two functions, whereas most manufacturers perform but one—the packer being largely driven to do this because of the perishable nature of a very considerable portion of the products he handles, thus requiring additional costs and involving risks of actual spoilage on a large scale unless handled with the utmost care, efficiency, and success.

Also while we are discussing these statistics for the packing industry generally throughout the United States, we should perhaps call your attention to the fact that, according to the census the number of establishments in the industry in the years 1909 and 1914 were as follows:

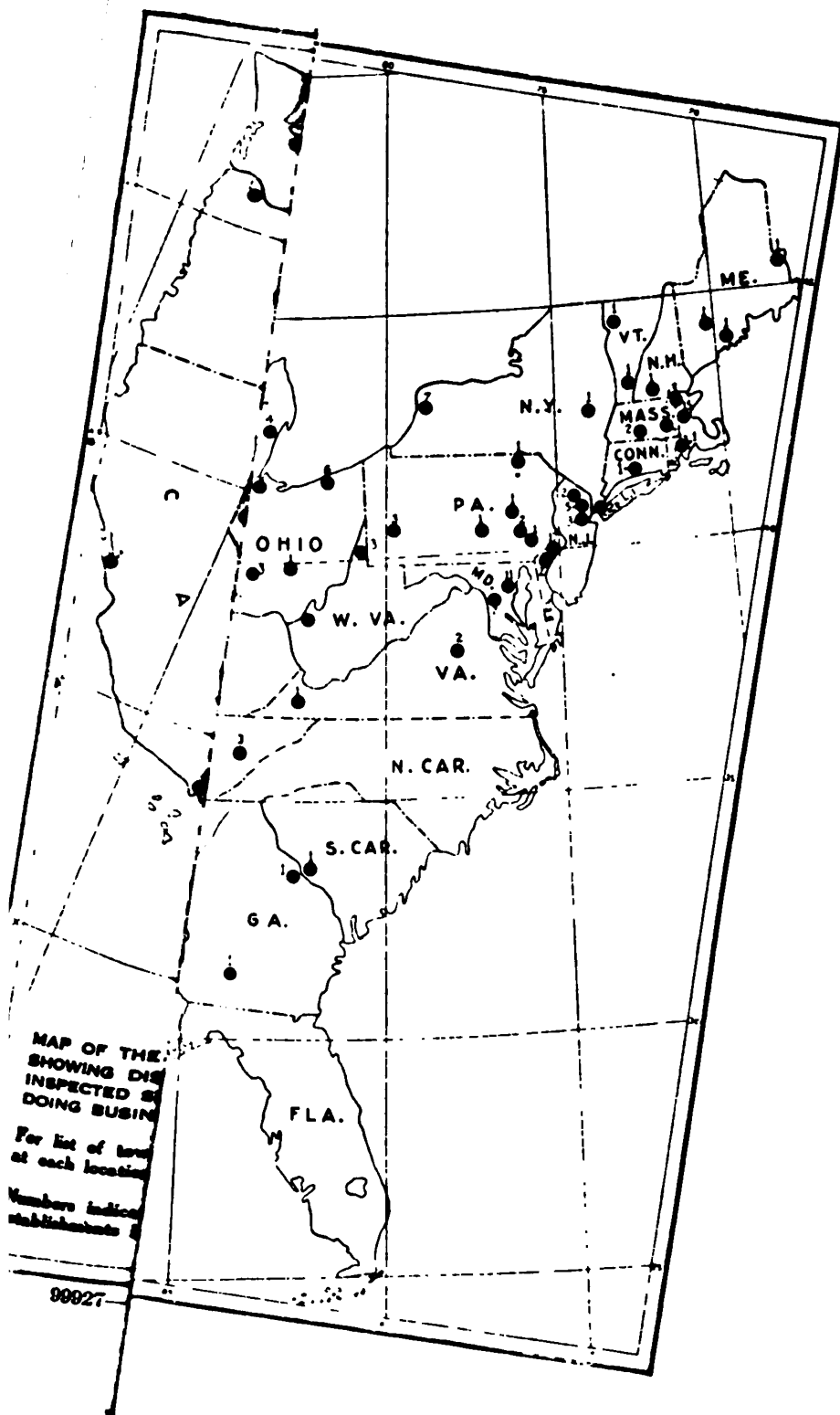
Slaughtering and meat packing:

	Number of establishments.
1914.....	468
1909.....	497
Slaughtering:	
1914.....	630
1909.....	565
Meat packing:	
1914.....	181
1909.....	172

Of the above, 85 per cent of the value of the output was prepared by establishments conducting both slaughtering and meat-packing operations.

You, however, may be interested in the attached map, which shows the geographical distribution of the most of these plants. It is made up from a summary of United States inspected establishments as of date October 1, 1916. We also furnish a separate list showing the names of the various firms owning the plants indicated in the various States and cities. While the larger and better known packers' volume of manufacture is high, nevertheless the number of establishments owned and the large list of names of firms owning them give an idea as to the diversity of and competition in the industry.

(c) Another of the weaknesses in connection with the packing industry, particularly in its preparation and distribution of fresh-meat products, is the rapid fluctuation and change in market conditions and demand at points of



MAP OF THE
SHOWING DIS
INSPECTED S
DOING BUSIN

For list of towns
at each location

Numbers indicate
establishments

90027

consumption and in the widely fluctuating and changing market conditions at points of supply in connection with the receipts of live stock. From the standpoint of the economical operation of a manufacturing establishment, of course, a regular supply of raw material proportionate to the amount necessary for convenient handling by the various departments and gangs, organized so that they may be utilized to their best advantage, is highly desirable. No such condition exists in the packing industry and equally at the consuming end of the line, where products of a perishable nature are accumulated for sale, if the supply in anywise exceeds the demand (the latter being extremely variable, dependent upon weather, holiday conditions, and public taste and other competitive foods, etc.) a situation develops in which, of course, sales must be and are constantly being made without regard to the securing of any profit whatsoever on the transaction.

The observations we have made are those largely pertaining to the fresh-meat portion of our business, which is the section in which, no doubt, most of the public complaint originates and wherein your investigation will largely be made. We hope, however, that your investigation will broaden out into the other fields of the packers' production, where with cured meats, provisions and other standard products and the long line of by-products, inedible and otherwise, conditions exist which make possible the handling of the fresh-meat business with all its unsatisfactory conditions. Then you will come to an understanding of many of our difficulties and be able to inform the public as to whether there are grounds for complaint or criticism as regards prices or profits in the fresh-meat field.

(d) Another great economic difficulty in the packing industry is due to the fact that it must and does under the present system bear as almost a total loss the entire burden of the value of live stock condemned by the Government inspectors at the time of slaughter and afterwards. While, of course, diseased live stock should not enter into the meat supply of the Nation, and while, of course, the packers are in entire accord with the idea of Government inspection of their products, nevertheless it would seem that by greater cooperation the Government could trace disease back from the records secured on the killing floors of the packers to the farms and shipping points, so as to more frequently ascertain its source and location. This should lead to its eradication, and coupled with increasing propaganda along present lines with reference to the diversification of the live-stock industry, the bringing up of herds and flocks by better breeding, and the work along lines of disease prevention, secure increasingly satisfactory results to the live-stock grower and feeder as well as in dairy herds.

(e) Another of the chief economic difficulties of this industry arises from the fact that its raw materials are produced through a wide geographical area by many millions of individuals who, both as regards their production (or purchase of live stock for feeding) as well as in their sales, are practically unorganized, as the result of which there is no regularity or stability of receipts or prices. The beef requirements of the United States annually run not less than 14,000,000 head. The prior history of the animals up until the time they reach the stockyards for slaughter involves a considerable duplication of transportation, shrinkage, freight payment, and extra costs. Feeder competes with feeder at the time such purchases are considered desirable, and oftentimes competes against the packer as well, thus raising the price all around.

If, in addition to the present methods and supplies, each of the 6,000,000 farms of the United States would produce even a few head of finished live stock of good grade annually, the entire meat industry would be stabilized and the future supply assured. But it can not be denied that such increase in supply would probably affect a lowering in the price of live stock.

However, the interests of the public demand some united cooperative effort on the part of all factors, including the Government, in the final working out of this great problem. In its solution it is fundamental that cheap meats can not be produced from high-priced animals. But by intensive methods and more economic farming conditions it should be possible to produce a larger number of animals and derive profits by volume of production and economical handling of by-products (such as building up of soil fertility, raising of hogs, etc.) as will work out the protection of the interests of the live-stock raiser and farmer in a similar way to the economic laws under which modern business and transportation are done, where, by an increased volume, a greater profit is secured even though the per pound profit be reduced.

REMEDIES.

In addition to what has been mentioned with reference to your request for suggestions as to the remedies for various uncertain conditions let us observe that there is immediate demand and a large field for practical work of a highly important character, and particularly at the present time.

For instance, during this week there has been a flood of grass cattle at various markets. The supply far exceeds any possible demand those particular days at such markets. The uncertainty of the present situation are such that the farmer, who ordinarily would buy many of these cattle for feeders is in doubt as to whether he could buy the cattle at present prices and be able, under the unknown conditions of next winter or spring, to sell them with any profit in the transaction. The packer is unable to forecast next winter's or spring's conditions, and with the present high prices for grains, who can blame the feeder for his unwillingness to risk his money? Nevertheless, if the feeders are not bought and financed on a large scale it is difficult to determine where the supplies of beef are to come from six months hence. No words that we can say can overemphasize the importance of some means being worked out to protect this situation. It is an emergency of the present. Once these cattle come in at the present time in undue numbers and are slaughtered, the situation so far as they are concerned becomes irretrievable.

Similarly there is considerable of a propaganda at the present time for the saving of the calves from slaughter and of ewes, for the purpose of replenishing or increasing the wool and mutton supplies. We understand that for some months, while the prices of live stock for slaughter have been so high, the dairy people, in many sections of the country have been sending in their cows for sale and slaughter, thus practically assuring a reduction in the milk supply. There are many other problems similar, of which the foregoing are only illustrations, toward which all factors, including the Government, should be at work for their prompt solution and handling. While the packer is willing to help, he, of course, finds himself greatly impeded in his ability even to consider these problems from the board viewpoint because with increasing costs, shortage of labor, difficulties of transportation, restrictions of various kinds, including embargoes, the difficulties of doing business are becoming so great as to occupy more of his attention than ever before. As regards there being any solution possible to the foregoing, we can not at the present time volunteer any opinion. We will and do assure any officials or persons interested of our great desire to help in any practical manner.

There is a great field here for constructive cooperation, and we will be very glad to have the Trade Commission indicate means and methods.

The adjustment of problems similar to those indicated is one involving a great investment of capital. Assuming these calves to be of sufficient breeding to be worth maturing as beef animals, the single item of the taking off the market and feeding and raising the 2,000,000 calves annually now slaughtered under United States inspection would involve not less than \$40,000,000. The farmer or daryman who sends a calf to market for sale must be protected financially in any remedy which is adopted, for many times his necessities will be such that he can not afford to raise the calf himself.

There could be easily diverted to the cut-over lands of Wisconsin alone, rich in clover and hay, 1,000,000 sheep. The present annual slaughter of sheep is estimated at approximately 15,000,000.

But with ewes worth at the present time on the markets some \$10, here again, as in all these problems, will be required the use of many millions of dollars. The plan must provide for some method of reasonable assurance of those carrying the investment and risk that they will be able to at least realize a fair profit. Of course the present system, such as it is, which is so highly individualistic, scatters the losses, if any, in relatively small amounts among a very considerable number of people. The solution of the problem will be to find some way, similar perhaps to that of the future selling of grains, under which live stock may be dealt with by all factors in its production and use on a basis of great certainty and less chance of serious loss than at present.

Your letter asked us to speak with great candor and expresses your desire that some permanent constructive good may come from this investigation. Perhaps we have dwelt too long upon the subject of your question 4 and have not covered it as you desired. We will try to give more brief and explicit answers to the remainder of your questions, which are as follows:

I. "As you are aware, there is widespread complaint among consumers as to the prices of all meats and other animal food products. The commission would like your views as to the cause of present high prices, to what extent they are justified, and if in your judgment there is not complete justification for them what factor or factors in the production and distribution of meat animals and their products can be justly criticized."

We will not undertake to discuss this question of prices in any field of the economist nor in connection with the possible inflation and decline of the value of money.

But by the use of a few of the statistics, largely taken from Government sources, we hope to be able to indicate a few of the prominent points as they occur to men engaged day by day in actual transactions.

In his letter of direction to you the President has stated as follows:

"While the population of the Nation has increased 26,000,000 since 1900, the production of the two leading cereals, corn and wheat, while tending to increase, have shown only a slight advance, and that of the meat production in the same period has shown an increase of only 3,500,000.000 pounds, a decrease of 29 pounds per capita."

We regret that we do not have access to the source and details from which the President's summary is made. His statement, however, reveals clearly one of the causes for the increasing prices of meat products. We believe that a reference to some further figures may be of interest and will intensify the conclusion arrived at and indicate still more the correctness of the President's view, to the effect that, from the standpoint of the consuming public, it is highly essential and will be of benefit that an economic investigation of the foods and meats of the country be made.

In your investigation of the packing business you will find an intimate relation between the prices and movement of live stock and the quantity of the crops and the prices received by the farmer. We have just mentioned the untimely receipts of grass cattle from the Southwest. This, of course, is due to drought conditions there. We have also mentioned the problem of the feeder as to whether, with respect to the probable prices he can secure for his corn, he can afford to buy feeders at the present time in the hope of making a further profit. Of course, increasing costs and prices for grains and other feed, as well as of land and farm labor, are an active cause in forcing up prices for live stock. Equally, increased amounts paid by the packer for live stock become an active factor in increasing the prices which the packer should secure for the meats produced. The price depends, however, not only upon the supply but upon the demand, and in these particular times the demand is so great, proportionate to the supply, that it becomes the predominating factor. The President calls attention to the decrease in the supply of meat products figured to a per capita basis, but demand is measured not so much on a per capita basis as by the spending power and consumptive necessities of the millions of consumers. At the present time, with industry straining to its highest pitch and with all labor employed in a maximum of production and of wages, the demand for meat and other food products is manifold greater than that indicated by a per capita basis. We have not, of course, mentioned in this respect war conditions, which in turn are a factor never previously to be reckoned with on such a scale. We believe that some conclusions can be derived from statistics of previous years which will still further demonstrate the reasons for high prices measured from the standpoint of the unprecedented demand.

The President's comparison seems to have been made with the year 1900. We do not know the source or the total of the figures of production of meat production in that year. The census of 1899 shows certain totals of production and from the abstract of Census of Manufactures of 1914, page 36, we have taken the following figures:

1178 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

Statistics of meat packing.

[From Census of Manufactures (Abstract), 1914, p. 35.]

Article.	1899	1904	1909	1914
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Fresh beef.....	2,917,653,476	3,748,055,377	4,209,196,608	3,658,353,461
Fresh veal.....	84,548,128	154,212,652	252,997,078	194,290,000
Mutton and lamb.....	400,882,014	460,754,244	495,457,994	628,272,000
Fresh pork.....	1,222,007,411	1,224,932,910	1,547,494,184	1,877,000,000
Edible offal and other fresh meat.....	80,387,411	124,307,681	257,808,083	286,100,000
Beef, pickled and other cured.....	137,588,503	136,896,697	126,477,662	91,571,000
Pork, pickled and other cured.....	3,138,698,378	2,922,901,962	2,829,633,003	2,929,300,000
Canned goods.....	112,443,021	(1)	121,376,837	160,700,000
Sausage, canned.....	(1)	(1)	(1)	74,004,000
Sausage, all other.....	290,987,019	324,416,039	452,867,187	435,100,000
Lard.....	1,019,781,839	1,169,086,400	1,243,567,604	1,119,100,000
Total.....	9,404,909,200	10,275,563,972	11,546,877,200	11,476,651,000

¹ No figures.

It is usually estimated that the products above, prepared in manufacturing establishments represent from 50 to 55 per cent of the total of such products annually prepared.

In other words, local butchering and consumption by the original raisers or on farms is not included. And, of course, the great markets for the products of the manufacturing establishments are the cities and the export trade.

The President's conclusion as to the lessened supply per capita because of increased population will be intensified if, in connection with the foregoing table, we also show similarly the exports of meats and meat products for the same years, and in this respect it will be interesting to observe how the export of fresh meat practically entirely disappeared between the years 1899 and 1914, and how it has increased since the war, and also the trend of exports of hog products and their changes since the outbreak of the war; therefore, we have compiled the following table showing exports year by year.

Domestic meat and meat products exported.

[From Department of Commerce. Statistical Abstract of the United States, 1916, pages 442, 609, 661.]

Article.	1899	1906	1907	1908
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Beef, canned.....	38,385,472	64,523,350	15,809,826	20,376,000
Beef, fresh.....	282,139,974	268,054,227	281,651,502	304,154,000
Beef, pickled and other cured.....	46,144,189	81,287,581	63,698,508	47,806,000
Oleo oil.....	142,390,492	209,658,075	193,337,176	212,341,000
Tallow.....	107,361,009	97,567,156	127,857,739	91,367,000
HOG PRODUCTS.				
Bacon.....	562,651,480	361,210,563	250,418,609	241,100,000
Hams and shoulders, cured.....	225,846,750	191,267,949	209,481,496	221,700,000
Lard.....	711,259,851	741,516,886	627,559,000	603,411,700
Pork, canned.....	41,310,364	12,699,800	2,710,389	4,957,000
Pork, fresh.....		13,444,438	11,467,779	16,374,000
Pork, pickled.....	137,197,200	41,820,720	166,427,400	146,504,000
Lard compounds and other substitutes for lard.....	22,144,717	67,621,310	80,148,861	75,100,000
Mutton.....		516,345	822,998	1,100,000
Sausage.....		7,926,786	8,000,973	8,367,000
Total.....	2,318,831,498	2,162,115,195	2,041,393,055	1,896,311,000
Cattle, number of head.....	379,110	581,239	423,051	300,200

Domestic meat and meat products exported—Continued.

Article.	1909	1910	1911	1912
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Beef, canned.....	14,895,527	14,807,596	10,821,304	11,028,431
Beef, fresh.....	122,852,671	75,729,666	42,510,731	15,264,820
Beef, pickled and other cured.....	44,789,093	30,871,313	40,283,749	38,087,607
Oleo oil ¹	179,985,216	126,091,675	148,690,906	127,667,124
Tallow.....	53,332,767	29,379,992	9,813,154	39,451,419
HOG PRODUCTS.				
Bacon.....	214,579,674	152,167,107	156,675,310	209,574,208
Hams and shoulders, cured.....	212,170,224	146,885,385	157,709,316	201,014,491
Lard.....	529,722,933	362,927,671	476,107,857	542,255,965
Neutral lard ²			37,899,812	62,317,900
Pork, canned.....	8,750,030	4,062,022	4,010,862	5,809,902
Pork, fresh.....	9,555,315	1,040,278	1,355,478	2,497,880
Pork, pickled.....	52,351,980	40,031,569	45,729,471	56,321,649
Lard compounds and other substitutes for lard.....	75,183,196	74,556,001	73,751,700	62,522,888
Mutton.....	1,498,674	1,989,472	2,160,249	3,595,513
Sausage.....	8,518,058	5,072,255	4,716,610	8,016,791
Total.....	1,550,317,258	1,071,005,631	1,202,215,319	1,876,903,947
Cattle, number of head.....	207,542	119,430	170,100	105,506

Article.	1913	1914	1915	1916
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
Beef, canned.....	6,830,348	3,461,773	75,214,291	70,807,765
Beef, fresh.....	7,462,388	6,991,041	170,440,914	231,213,000
Beef, pickled and other cured.....	25,826,919	23,365,974	31,874,713	38,116,152
Oleo oil ¹	91,849,757	97,017,065	80,181,916	102,075,914
Tallow.....	30,586,450	15,812,831	20,239,988	19,288,713
HOG PRODUCTS.				
Bacon.....	200,901,584	191,964,252	346,718,227	579,808,786
Hams and shoulders, cured.....	159,511,687	105,881,791	203,701,111	282,398,611
Lard.....	519,025,384	481,457,292	675,531,908	427,011,778
Neutral lard ²	44,777,692	29,424,786	2,021,054	6,427,749
Pork, canned.....	4,118,443	4,074,041	4,614,018	9,011,772
Pork, fresh.....	2,457,997	2,668,030	1,908,193	67,007,524
Pork, pickled.....	53,749,073	45,513,085	45,655,574	61,400,713
Lard compounds and other substitutes for lard.....	67,456,832	58,301,564	60,980,611	52,833,311
Mutton.....	5,246,019	4,685,096	6,877,111	5,552,948
Sausage, canned.....	1,117,700	1,476,882	1,821,958	6,827,065
Sausage, all other.....	6,890,918	4,562,384	5,189,525	8,740,246
Total.....	1,227,826,641	1,136,996,661	1,967,214,870	1,972,908,948
Cattle, number of head.....	24,714	18,476	5,481	21,287

¹ Prior to 1911, includes neutral lard.² Included under "Oleo oil" prior to 1911.

It is plainly indicated from the above that in the year 1909 and for a number of years thereafter there was a surplus of beef and other fresh meat products which was marketed largely in Great Britain and on the Continent. As the demand in this country increased with the increase of our population, and after 1909, with marked decrease of fresh meat production, our exports naturally fell off and in or about the same period began the great development of the Argentine and Australian fresh and frozen meat industry, from which at the beginning of the war Great Britain in the largest amount and the remainder of Europe largely drew its supplies. Confining ourselves to the totals only of the two preceding tables, we find that in 1909 out of a total production of 9,404,900,200 pounds we exported 2,318,831,498, and in addition to that 379,110 live cattle which (estimating 600 pounds of beef per carcass) makes in excess of 275,000,000 pounds of beef, whereas, in 1914 and including only the first few months after the outbreak of the war, out of the production of 11,476,951,397 pounds, we exported a total of 1,136,996,661, with live cattle fallen off so that only 18,376 were exported. And it is well known that due to the war a large part of these sums were exported in the last few months of the year. It will be noticed that by 1914 the exports of fresh beef amounting to 282,139,974 pounds in 1909 had fallen off to 6,394,404 pounds.

1180 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

With the beginning of the war there were some six months or more of general uncertainty and the reversal of all business calculations, causing tremendous confusion in all classes of trade, and in none more than in the live stock and meat packing, as to which for a part of the time the expectations of large war contracts stimulated prices which later were greatly reduced when export shipping conditions were interrupted. Then, toward the fall of 1915, when our own industries began to revive from the shock they had received and began to take on war-order and export business, with this, and their other business, there began a domestic as well as foreign demand for our products in which as yet there seems to be nothing but a steady and enormous increase. Embargoes and quarantine caused by foot and mouth disease outbreaks further complicated this earlier period. In this respect considerable light can be thrown upon the proposition by an examination of the export figures shown in the preceding table for the years 1915 and 1916, as to which exports of fresh beef advanced from 6,394,404 pounds in 1914 to 170,440,934 and 231,214,000 in 1915 and 1916, respectively; and of bacon from 193,964,252 to 346,718,227 and 579,808,786, respectively. We take up space only to point out one or two items, but they are so pronounced as to indicate without further explanation their enormous effect upon prices.

Also, as regards domestic demand still further light is thrown upon its increase when we see the following figures respecting the residence of our population in 1900 and 1910, and try to estimate its location at the present time as regards urban and rural:

	June 1, 1900.	Apr. 15, 1910.	Increase.	
			Amount.	Per cent.
Urban population.....	31,609,645	42,623,383	11,013,738	34.8
Rural population.....	44,384,930	49,348,883	4,963,953	11

Of course any increase in urban population is an indication of a largely increased demand for food products and almost equally an indication of decreased production of agricultural products, at least relatively. We also know that due to the stimulation of industries, particularly in the large manufacturing sections of the northeastern part of the country, there has been since 1910 and 1914 an extraordinary increase in the urban population, the employment of labor, and the amount of wages labor is receiving and spending for food and other commodities.

Without dealing in further statistics at this time, it is sufficient to say that market receipts of live stock at the time and during this pronounced increase in consumptive demand have in some cases actually appreciably fallen off from prior years and in other cases barely maintain prior years' bases. General conditions are shown by a live-stock census for 38 years taken from the *Price Current-Grain Reporter Yearbook*, a well-recognized trade statistical authority:

LIVE STOCK FOR 38 YEARS.

The United States Department of Agriculture's estimates of live stock population of the country on Jan. 1, for 38 years, are given below. Although somewhat inaccurate for the earlier years, the figures are the only record extant of the live-stock population up to comparative recent years, and as such are worth preserving:

Year.	Cattle.	Hogs.	Sheep.
1917.....	63,587,000	67,453,000	48,493,000
1916.....	61,920,000	67,706,000	46,635,000
1915.....	58,329,000	64,618,000	46,926,000
1914.....	56,562,000	58,933,000	46,719,000
1913.....	56,827,000	61,178,000	51,692,000
1912.....	57,959,000	65,410,000	52,363,000
1911.....	61,225,800	56,000,000	51,880,000
1910.....	69,080,000	47,782,000	57,216,000
1909.....	71,099,000	54,147,000	54,094,000
1908.....	71,267,000	56,094,000	54,681,000
1907.....	72,583,998	54,794,439	53,260,429

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 1181

The United States Department of Agriculture's estimates of live stock population of the country on Jan. 1., etc.—Continued.

Year.	Cattle.	Hogs.	Sheep.
1906.....	66,861,522	52,102,847	50,631,619
1906.....	61,241,907	47,320,511	45,170,423
1904.....	61,049,315	47,009,367	51,630,144
1903.....	61,764,433	46,922,824	63,994,870
1902.....	61,424,599	48,698,890	62,039,091
1901.....	67,804,222	62,876,105	61,605,811
1900.....	43,902,414	45,000,000	41,883,000
1899.....	43,984,340	38,651,651	39,114,453
1898.....	45,105,083	39,759,993	37,656,960
1897.....	46,450,135	40,600,276	39,818,843
1896.....	48,222,995	42,842,759	38,298,783
1895.....	50,868,845	44,165,716	42,294,064
1894.....	53,095,168	45,206,498	45,048,017
1893.....	52,378,283	46,094,307	47,273,563
1892.....	54,067,590	52,398,019	44,938,355
1891.....	52,895,239	50,625,106	43,431,163
1890.....	52,801,907	51,602,780	44,336,072
1889.....	50,331,042	50,301,592	42,559,071
1888.....	49,234,777	44,346,525	43,544,755
1887.....	48,033,833	44,612,836	44,759,314
1886.....	45,510,630	46,092,043	38,322,331
1885.....	43,771,295	45,142,657	50,360,243
1884.....	42,547,307	44,200,893	50,626,626
1883.....	41,171,785	43,270,086	49,237,291
1882.....	35,891,870	44,122,300	45,016,224
1881.....	33,306,385	36,227,603	43,576,899
1880.....	33,258,000	34,034,100	40,765,900
1879.....	33,234,500	34,766,200	38,123,800

The above represents the total live stock in the country of the classes named. It does not include dairy cows, for example. Neither does it show receipts of live stock at the markets for purposes of sale for slaughter or feeding. It represents our live-stock capital, so to speak.

An immediate study should be made to determine the present supply of beef cattle and other meat-producing animals; the consumptive demand for fresh and other meat products; and to then determine with greater accuracy how much we can and should be preparing and distributing, having regard to the preservation (or increase—or decrease, if necessary) of our capital fund.

The increasing trend of prices for all live stock has been steadily upward since 1899, subject, of course, to temporary conditions in between-time periods due to legitimate factors and market conditions. The following table indicates this clearly:

Yearly average prices at Chicago of native beef steers, fat cows and heifers, hogs, sheep and lambs, per 100 pounds, as stated by Drovers Journal.

Year.	Steers.	Cows.	Hogs.	Sheep.	Lambs.
1916.....	\$9.50	\$8.75	\$9.60	\$7.85	\$10.75
1915.....	8.40	6.10	7.10	6.30	9.00
1914.....	8.65	6.55	8.30	5.55	8.00
1913.....	8.25	6.10	8.35	5.20	7.70
1912.....	7.75	5.25	7.55	4.40	7.20
1911.....	6.40	4.35	6.70	3.95	5.95
1910.....	6.80	4.60	8.90	5.25	7.55
1909.....	6.35	4.25	7.35	5.00	7.40
1908.....	6.10	4.10	5.70	4.65	6.35
1907.....	5.80	3.85	6.10	5.25	7.05
1906.....	5.30	3.70	6.25	5.20	6.85
1905.....	5.05	3.65	5.25	5.00	6.80
1904.....	4.95	3.55	5.15	4.25	4.60
1903.....	4.80	3.95	6.00	4.00	5.45

It will be noted that the above table shows "average prices." Of course, the actual prices range higher and lower, at different times in the year, than the prices shown.

Constantly you will find a close paralleling between the prices paid for live stock and the meats produced therefrom. And in this connection it is to borne in mind, especially as regards beef, that the weight of the carcass of beef is far less than that of the animal on the hoof—in round numbers there being a shrinkage of 40 per cent. However, the loss in value due to this shrinkage is all so nearly absorbed from the utilization of and the value received from the hides and other offal that the wholesale price of a beef carcass can usually be calculated at somewhere approximating 25 to 40 per cent over the cost of the animal on the hoof. In other words, the beef from an 8-cent steer will usually be found selling around 10 cents to 11½ cents.

We feel sure that the results of your investigation will be to demonstrate that the net profit to the packer for the handling of fresh meat varies between ½ cent and ¾ cent per pound, or, even under the most favorable circumstances, such a small item is not to be appreciable in the price which the consumer is required to pay. Furthermore, it will be observed that as regards percentage of profit on his investment in the cost of the animal a realization of ½ cent per pound by the packer on an animal costing 14 cents per pound on the hoof is practically commensurate with ¾ cent per pound on an animal costing 7 cents per pound. In this connection one of the great difficulties in the business at the present time is the enormous increase in capital necessary to carry on a business of a similar tonnage, with the costs of live stock running to such unprecedented levels as they now are and have been since shortly after the outbreak of the war.

During your investigation you will find and verify our transactions and the prices shown which we have charged to our retail butcher customers for the various meats sold by us. During the past year the range of prices of carcasses will be found to be from 9 cents to 18 cents per pound. Our average receipts during the past year at our different branch houses per week from all beef sold have ranged between \$15.88 per hundredweight for the high week to \$10.15 per hundredweight for the low. Of course, when carcasses are specially cut and the choicer portions sold the prices will be found to be higher than those stated, but they will not be out of line with these figures.

Furthermore, it will be found that out of the money actually taken in by us from the sale of all products derived from animals, including meats as well as hides and other offal, the cost of the animals on the hoof to us (being the money actually paid to the commission men selling these animals, the bulk of which will have gone to the farmer) will amount to close to 80 cents out of each dollar that we have derived from the sale of these goods. From the annual report of our president covering the last fiscal year of this company we quote as follows:

"Wages have been increased to the extent of practically \$750,000 per year. All raw materials and other manufacturing costs have also largely increased. The gross sales of the company amounted in round numbers to \$134,000,000, which are the largest it has ever made. Of this amount, something in excess of \$24,000,000 have been received from products not derived from the animals bought and slaughtered. Among such outside products are butter, eggs, cheese, cottonseed-oil products, such as compound and soaps, cleanser, glycerine, etc. The profits from these outside items have been most satisfactory.

"During the past year we paid \$87,500,000 for the live stock slaughtered.

"If we had been allowed arbitrarily as profits the sum of \$1.50 per head on all cattle slaughtered during the year, and 75 cents per head on all hogs and calves slaughtered, and 50 cents per head on all sheep, the sum total would be as great as the total profit which the company has made in its entire operations during the year, not only from the animals slaughtered, but also from all by-products and all the outside lines handled not derived from animals.

"During the past year, in its sale of meats and other products derived from animals, the profits from fresh meat have been on an average something less than one fourth cent per pound.

"Most of the time we do not realize that in the marketing of fresh meat it is quite impossible to make any very extensive profit. With the exception of a relatively small amount, which is all that can be stored for more advantageous marketing, practically all fresh meat must be sold at the point to which it is

shipped for distribution, and subject to whatever market condition may govern at the time. It can not be held to await a more favorable market. On the contrary, the cured meats and other animal products are in many cases distributed under our well-known and well-established trade brands, and for that reason can be marketed to better advantage than fresh meats. Furthermore, these products, especially in the case of provisions are staples, and may be held for sale under favorable conditions, as reflected in the quotations of the various markets. There is a demand for hides, cured meats, etc., from all parts of the world, which gives us many channels for distribution, and this enables us to select the most favorable time and place for their distribution.

"In our operations, therefore, the favorable showing made is due to a very great extent to our production and trade in other products than fresh meat.

* * * * *

"During the year the average cost to the company of all cattle bought was \$7.12 per hundredweight, including all grades—the highest price paid was \$11.75. The most of the animals of a beef grade cost above this average price. The average price received for fresh beef from all sales made by the company at its branches each week amounted to \$9.66 per hundredweight for the low week of the year and \$14.13 for the high week of the year. Out of the difference between these selling prices (plus sales of by-products) and the cost prices of the animals the company must absorb in excess of 40 per cent shrinkage in weight after slaughter, all manufacturing expenses, as well as overhead and miscellaneous costs such as interest and insurance, and out of the remainder must derive its profit.

"It is interesting to observe that, while the figures in dollars representing gross sales from all products derived from animals are probably larger than ever before, the tonnage has not greatly increased. Practically all of the increase in dollars has been paid to the farmer and live-stock producer in the price we have paid for the animals handled.

"In fact, the packers are practically the collection agents of the farmer. Out of every dollar taken in from the sale of all products derived from animals 80 cents have gone to the farmer. Out of the remaining 20 cents of each dollar 7 cents have been paid to the wage earner, 5 cents for freight, and 4 cents for other material needed in manufacturing and in the preparation of the goods for sale, as for instance, salt used in curing, boxes, barrels, tin cans, etc. Out of the remaining 4 cents there have been paid interest, taxes, insurance, repairs, and all such items, and of the residue not quite 2 cents per dollar applies to the net profits of the company."

As to the prices which the retail butchers charge their customers we have no very great actual knowledge, but, of course, we realize and know that a butcher buying a carcass from us at 12 cents per pound must, in his disposition of the cuts from the carcass, charge prices which vary no doubt from 40 cents per pound possibly down to as little as 5 cents per pound. We have no reason to believe that the total increment received by the butcher over what he pays to us, even though some of his meats be sold at a price as high as stated above, would produce any unreasonable profit for the butcher, who out of such increment has to pay the expenses for rent, meat cutters' wages, delivery, telephone, taxes, and other expenses in connection with his business, to say nothing of shrinkage losses, or deteriorated goods, bad debts, etc.

It is in this field of endeavoring to trace just exactly who receives the consumers dollar and in what proportion it is retained as profit or paid out for costs and expenses that we think the text is found for the present investigation by the commission.

Of course another very material factor in the increased price is that growing out of the increased costs of doing business, which on an unparalleled scale have developed since the middle of 1915. The packers are not only manufacturers and distributors of meats, but they themselves are, on a large scale, consumers. There has been a great shortage of labor and a constant increase in the scale of wages paid. Fuel, salt, boxes, tin, paper, and all the manifold items involving a total expense of millions of dollars per year have been the subject of increased prices to the packer, except where he may have been so fortunate as to be temporarily protected by some term contract preserving the former level. As an item of general interest we quote the following list showing a comparison of prices paid by this company for various supplies, which, as stated above are annually purchased by us to the extent of millions of dollars:

Supplies.	Normal prices.	War prices.
Coal. (We use 1,000 tons per day):		
1 1/2" Kansas slack, f. o. b. mines..... per ton.....	\$1.35	\$2.50
Illinois slack, f. o. b. mines..... do.....	1.00	2.00
Tin plate, use 150,000 base boxes per year f. o. b. Pittsburgh..... per base box.....	2.90	7.50
Solder..... per pound.....	1.16	2.24
Black sheets, for tanks..... per hundred weight.....	1.95	10.00
2" pipe..... per 100 feet.....	9.92	21.14
Nails..... per hundred weight.....	2.00	5.00
Car material:		
Cast steel body and truck bolster for refrigerator cars..... per pound.....	.03	.15
Steel center sills..... each.....	26.00	100.00
Car springs..... per hundred weight.....	1.70	5.75
Car couplers..... per pair.....	17.00	45.00
Malleable iron car castings..... per pound.....	.02 1/2	.08
Cotton goods:		
40" 7 oz. burlap..... per yard.....	.03	.10 1/2
100-lb. burlap bags..... per thousand.....	55.00	137.00
32" beef cotton..... per yard.....	.08 1/2	.08
38" regular cotton sheeting..... do.....	.08 1/2	.09
40-lb. No. 4 cotton duck..... do.....	.31 1/2	1.02
Boxes, K. D. shooks..... per thousand feet.....	20.00	24.00
Oak lard tierces..... per thousand.....	1.10	1.90
Grocery supplies:		
Black pepper..... per pound.....	.11	.25
Coriander seed..... do.....	.05	.25 1/2
Sirup..... per gallon.....	.20 1/2	.65
Granulated sugar..... per pound.....	.05	.08
Raw sugar..... do.....	.03	.06 1/2
Paper and twine:		
Rag ham paper..... per hundred weight.....	1.10	2.50
Butchers fibre paper..... do.....	1.95	6.50
No. 2 glassine paper for wrapping hams..... per pound.....	.07	.14 1/2
White greaseproof for wrapping..... do.....	.08 1/2	.11
3-ply flax sail twine..... do.....	.32	.40
3-ply India hemp ham rope..... do.....	.08 1/2	.12 1/2
Chemicals for soap, etc:		
Soda ash..... per hundred weight.....	.72 1/2	2.25
Nitrate of soda..... per pound.....	.02 1/2	.05

Figures on all building over normal, 55 per cent.

We buy about 1,300 items altogether in the different departments of our plant, all of which show an increase from 100 to 800 per cent.

The commission asks to what extent the present high prices are justified. We must say that so far as our observation goes we know of no instance where it can be said that considering the enormous demand and the relative shortage in supplies the present prices of meats and meat food products are unreasonably high. We are certain that, so far as the price may be affected by the profit which our company can possibly make, this is negligible. We state our conviction in this respect based upon the following calculation. We know that the most satisfactory portion of our business and that from which the greater proportion of our profits is derived is that from our by-products, largely the inedible items. Our total tonnage out-turn is approximately 1,000,000,000 pounds. If we average 1 cent per pound net profit through the line we would realize some \$10,000,000. Our earnings for 1916, a very satisfactory year, were about one-third of this sum. And with products selling on a basis wholesale of some 10 cents to 20 cents per pound we do not believe that the public buying from the retailer or other distributor will be appreciably affected by whatever fraction we might or do make from one-fourth cent up to 1 cent. We know the latter is an impossible average, even at the present time, because our fresh meats are the least profitable branch of our business.

Neither do we criticize the prices which the live-stock producer and farmer are receiving for the animals which we buy; they, like ourselves, are consumers as well as sellers, and their costs of production and of feeding as well as many other items have undoubtedly been materially increased, thus absorbing a considerable portion of the increase in price which they are receiving for the live stock. But, of course, from the standpoint of the public and as measured by the price which the public pays for meats, when it is stated that out of each dollar received by us from the sales of all products derived from animals 80 cents has been paid in cash on the day of purchase by the packer, it is readily apparent that the cost of the live stock is one of the most material factors in the high price of meats. We pay cash for the animals, and in the course of preparation

and cure, and due to our sales being largely made on credit—it is in many cases six months before our complete returns are in.

Furthermore, we should imagine that an investigation will disclose that on the retail distribution side the factor of automobile and other expensive delivery, together with the public demand for twentieth century upkeep and sanitary surroundings, telephone, and high degree of service, will be found the second greatest factor in the high prices of meats.

II. The meat packer stands between the producer of meat animals on the one hand and the retail distributor of their products on the other. In what respect, if any, does either of these three agencies, in your opinion, fail to perform its proper function in serving the ultimate consumer?

We have endeavored in what we have previously set down in our discussions of questions 1 and 4 to indicate our belief (1) that so far as the packer is concerned his services are now rendered on a very large scale at such a minimum of profit as between the cost of the live stock and the price he derives for its meat and other products that this charge, which includes the packer's profit, is so small as practically to be negligible in the price which the consumer pays; and (2) that far from criticizing either the live stock producer and feeder and the retailer for their portion of the proceeds paid by the ultimate consumer, we, from the general understanding we now have, would figure that the high prices the consumer now pays are the result of causes beyond the control of any factor in the trade and are due, aside from the war conditions and the law of supply and demand to such difficulties in the present system of raising and marketing live stock and their products as can only be remedied by closer cooperation and improved methods tending toward operations on a larger scale. The only possible way for the prices of meats to the consumer to be materially reduced would be for the Food Controller under the new law to order the packers not to pay the present high prices for live stock. Of course we doubt the advisability of such a radical measure. In this connection we call your attention to a recent article by S. W. Doty, assistant in the marketing of live stock and meat, United States Department of Agriculture, in which he discusses generally conditions of live stock and its marketing and shows clearly the benefit to the farmer in increased prices in having access to central markets and large packers as distinguished from being subject to the low prices paid by local butchers and small local dealers or buyers. The article contains a number of very interesting statements and suggestions.

III. In your opinion is the present vast system of conducting the meat business from the raising of the animals on the range and farm through all the steps to the table of the consumer the result of the operation of healthy, natural laws, or is it in part the result of efforts, either conscious or unconscious, to interfere with the operation of such laws?

The present system, such as it is, is one which has come about during the evolution of business conditions marking the growth of the United States and its transition from an agricultural community to a highly industrialized Nation. The growth and development has not been orderly, and it has not been possible to arrive at a preconceived plan in accordance with which the industry should ultimately develop. In the midst of its progress forward there have been numerous cross-currents which have retarded and confused ideal development. In the main we believe that the present system is the result of unimpeded natural laws, but the development has been changed and modified in some respects, which we desire to indicate:

1. Since its passage and subsequently in its operation, the act of June 30, 1906, covering the inspection of meats, etc., has had a marked effect not only in improving the conditions under which meats are prepared and the quality and wholesomeness thereof, but has largely standardized the methods of operation. That has stabilized competitive conditions, but has also had a very considerable part in increasing the cost of operation and, therefore, the prices which the packer should receive.

2. While United States inspection is regarded universally as of tremendous benefit and necessity, it is nevertheless to be noted with regret that it exposes the larger packers to a very severe species of unfair competition. In other words, their costly United States inspected products have to meet in the markets, particularly in the larger cities, the products of uninspected packers, which at the best can safely be said to be prepared under condition not nearly so hygienic or so costly.

3. As indicating certain of the extra costs and some of the factors involved in the matter of cost of operation and profit we wish to cite a list of subjects

covered and discussed in a recent meeting of a special committee of the American Meat Packers' Association appointed by invitation of the Department of Agriculture and a committee representing the Meat Inspection Division of the Bureau of Animal Industry. The general subject of the meeting was the necessity for the conservation of meat food products and the elimination of waste.

Among the subjects discussed were the following: Uniformity in construing regulations; waste on hog heads, livers, hearts, also scrap, various fats, sausage ends, beef heads, ruffles, canning, canning leakers, unnecessary feeding in stock yards, scalded hogs, shop fat, excessive trimming, slow railroad transportation, killing of young stock, killing of female stock, label expense, cost of construction changes, sterilized products, carelessness of packing house employees in handling product, unnecessary making of inedible product from edible material, wastefulness of packers' trimmers, causes for condemnations on reinspection, oleo stearine, proper packing house equipment to save valuable product from losses, etc.

We venture the assertion that each of the items mentioned involves thousands of dollars annually, either in the way of economy in doing business or in the saving of what would otherwise be a loss—and this too without in anywise impairing the integrity of the inspection service.

4. We wish to point out another detail where there has been what appears to us an arbitrary interference with a natural economic law. This grows out of the situation respecting the discrimination imposed by the carriers in the territory east of the Mississippi River upon the transportation of fresh meat and in favor of live stock:

It is a well-recognized fact that live stock can not be transported without shrinkage. This has been amply demonstrated by investigations made through the Department of Agriculture, notably United States Department of Agriculture Bulletin No. 25. The longer the haul, the greater the food loss.

In recognition of the need for conservation, by reducing the shrink, extensive packing plants have been located on and west of the Missouri River, so that the live stock supply from the great corn belt may be marketed with the least amount of transportation, but the full benefits which should accrue to the live-stock producer, and to the public, by the operation of the economic principle involved, has been lost to an appreciable degree by an adjustment of freight rates, which transports the live animal at a substantially less charge than the product. The effect of this has been to force the movement of the animal out of its natural channel, and to distant markets, resulting in a loss of meat-food and waste of transportation.

Approximately 70 per cent of the cattle, 51 per cent of the hogs, and 71 per cent of the sheep of the United States are raised west of the Mississippi River. About 53 per cent of the cattle, 58 per cent of the hogs, and 70 per cent of the sheep produced in the United States are slaughtered in the territory east of the Mississippi River. Practically 85 per cent of the fresh meats produced at plants on the Missouri River are marketed in the territory east of the Illinois-Indiana State line. The investigation of the Department of Agriculture shows that the greatest shrinkage occurs within the first 24 hours of transportation, but there is a continued and constant shrinkage for every hour that live stock is in transportation. During this time of such urgent need, it seems that there is every opportunity for a material saving to be effected in this respect.

This does not consider the waste of transportation that results from the movement of live animals versus the manufactured product. A glimpse at that feature shows the following:

To move 100 cars of cattle means the transportation of approximately nine and a half million pounds of weight. To handle the product in the same manner requires but 60 cars, and the handling of a total of 7,984,520 pounds of weight. The waste of transportation amounts to 1,515,480 pounds, for which the public ultimately pays.

In conclusion we simply wish your commission to know and to understand that our company has no plant in Chicago and that our operations are entirely on the Missouri River or west thereof, where we located our plants originally, believing that nearest access to our live-stock material was of the greatest advantage to us in their location. The situation respecting railroad rates which we pointed out previously has been an enormous practical handicap to us. That matter, as the result of our efforts through a number of years last past, is now one of those which is about to be the subject of investigation by the Interstate Commerce Commission.

We have tried in the preceding to point out to you a considerable number of what appear to us to be the most practical points in which you will be interested in your investigation. Many other points could be suggested, but our memorandum is even now unduly long. We appreciate the opportunity given us to make this statement. During the course of the investigation we will be prepared to furnish you with any information which we possess which will be of assistance to you, and we hope that as the result of this investigation your report may be so prepared and carry such weight as to satisfy the public as to the facts respecting the causes for high prices, and that particularly as regards there being any violations of law having this result, such a conclusion is entirely unwarranted.

Respectfully submitted on behalf of

THE CUDAHY PACKING CO.,
E. A. CUDAHY, *President*.

Mr. CREIGH. Of course, I understand that the bill before you technically is the Sims bill, and that the Kendrick bill being before the Senate, is not yet over here. It seems to me that in the bills that include the licensing provisions there was the general provision here, that if after investigation certain of the practices in connection with licensing were found to have been indulged in, then notice was to be given. I think I am now referring more to the Kendrick bill than the Sims bill, but there is a provision for an order to desist, and under certain circumstances in the case of a second offense a provision that a hearing should then be granted giving the official administering the license the power then to entirely revoke the license, or to make some other terms. It struck me as a rather curious provision that a hearing should be granted after the first investigation had been made, there being no provision in the first investigation for a hearing. I wondered how many times we might be in the aspect that our company happens to be in respect to this Trade Commission investigation, here, which I suppose is an investigation, and yet where an ex parte proceeding a finding might be made and we might be up against a second hearing on an alleged offense, where the thing had been precipitated to the point where the official might deprive us of our entire business. It seemed to me that if that bill is ever up for discussion by this committee, certainly the packer or the licensee ought to be amply protected, with the fullest possible rights on the first investigation to be heard.

I was quite interested in coming down on the train, in a little pamphlet that had been sent in by some association, discussing some English laws, to find in connection with some licensing, I think in connection with the alien enemy act, or something of that sort, that there was a provision put in to the effect that "before a license is refused, revoked, or suspended by the board, an opportunity is to be furnished to the applicant to show cause why such action should not be taken." It seems to me that certainly that if it gets down to the consideration of any licensing feature, propositions for ample hearings and for presenting our views in the event of arbitrary action, and for the compelling of the granting of a license, or the giving of one after the facts are presented, if they warrant such action, certainly are things that ought to be given very, very careful consideration by any committee considering legislation. Otherwise the dangers that a man would be subjected to in running a business as enormous as that of a packing company, wherein the flash of an instance, on account of anything that anyone of thousands of subor-

dinate employees might do, would create a tremendously dangerous and utterly un-American and impractical business situation.

I want, if I might have a few moments more, to touch upon one other aspect of this license situation.

Curiously, as you read those bills, you will find that on the question of licensing and the terms that are to be imposed in that licensing they are an absolute blank. I do not know how we could test out, if we were to get down to a consideration of this bill, the real purpose and possible effects of the bills, these factors as to what things may be put under the license provision, being undetermined in the law, without possibly going a bit into these hearings and somewhat into past history, and seeing if we can not determine the purposes of those who are the advocates of the bill on the other side.

I was very much interested in connection with some of the testimony which has been given by Mr. Fisher, for example, the counsel for the market committee of the American National Live Stock Association, in these things over before the Senate committee or before your committee. It must have been before your committee, because Mr. Sweet says:

I would like to ask this question: In framing this license what would you base it upon, mainly?

Mr. FISHER. When you say "mainly" I do not know. I certainly would not make the profit the chief or the exclusive purposes.

If the situation of this business is such that it is to be put under license—that is to say, if we are prepared to concede free and open competition is not practically available—then it must be treated on the basis of a regulated monopoly; and the first and most important thing in regulating monopoly is to make sure of its economic effect on the whole subject of production, and I would control the prices they pay for their live stock and not primarily the margin between what they paid and what they got for it.

I think that is a pretty frank statement of the purposes of some of the advocates of the bill, the control of prices, and as I got to studying that a little bit more and going into the matter of the character of the hearings that have been had before the Senate Committee on Agriculture in earlier stages of this same, you might call it, controversy, or propaganda in respect to regulating the packing houses. I was much interested in coming upon certain statements in connection with the operations under the Food Administration.

Of course, the Food Administration act does contain these licensing provisions, and it has been departmentalized, and I do not believe any of the larger packers feel but what it was a highly difficult job for the Food Administration, and that in many aspects that job has been very well done in connection with the live-stock production, and so on, and they have properly taken into their bureau certain of the live stock producers. Those working in that bureau, according to this record, took the following action. I now quote from part 7 of the hearings before the Committee on Agriculture of the Senate, of March 19 to March 30, 1918, page 621. It appears that certain officials over there worked out in cooperation with the live-stock producers quite a lengthy report as regards this relationship, possibly between corn and hogs, that we even in the last few weeks have heard something about, and then certain recommendations were

given in a lengthy report of a subcommittee, among other items of which were the following:

To carry out the foregoing, the following suggestions are offered:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit, said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

All through that report, and it seems to me through the propaganda of the very active associations which have been lined up in favor of this regulation of the packers—I mean by that the large committee that has been formed of the various farmers' organizations represented by some of the agents who in these hearings have already stated the associations that they represent—the whole situation revolves around the proposition for the treatment of the farmer and the live-stock producer by some system which under license will bring to the producer a basis or price which the packer, or whoever buys from the producer, shall be compelled to pay, fixed on the cost of production plus a profit. Now, it seems to me that is a pretty big subject. I do not want to discuss it, and I do not feel that I am competent to discuss it from the standpoint of an economist, and so on, but I just want at least to suggest the thing that occurs to us from day to day in a packing house. Of course, we realize the situation of the producer and particularly feeder, who has bought cattle, for example, from the live-stock raiser, that during the course of the time that he has to feed them up, is something of a gamble as to what the market is to be at the time the stock is returned for sale.

In effect, the live-stock feeder of fat animals, and the hog producer, too, when the time comes that the animal shall be marketed, has a perishable product which, unless it is sold at that time, can not be kept without involving possible shrinkage and depreciation in value and loss by way of feed and other things to the producer. It seems to me he is up against a market situation at the time that animal comes to be sold, and he is in identically the same situation that the packer is who buys the animal and then sells, at least in the case of cattle. A very large part in the case of cattle, both of value and the weight of the animal, involve possible loss to the packer when he gets his perishable products in the market to sell, depending upon the market conditions at that time. There is a tremendous distinction, economically, commercially, and every other way, between the perishable thing and the stable thing, as in the case of grain or other things which do not perish rapidly and which may be held for a favorable market. In my judgment, so far as I have studied the question—and I have been in the business a great many years watching this public sentiment centering around the packer—this complaint on the part of the producers is due more to the fact that his stuff is perishable than it is to his being arbitrarily taken advantage of by any combination or any other forms among the packers which willfully is robbing him and depressing the prices. Of course, when you get into the field where the producer thinks he has to have his cost plus a reasonable profit, then the packer should have a reciprocal right as regarding his perishable product, to obtain cost plus, and when we work that down to the retailer he probably is entitled to the same thing, and on the other hand somebody has got to get a return—somebody has got to be made to buy at a price which will cost plus

a reasonable profit all the way down the line; although I do not pretend to be an economist, it seems to me that is about as impossible a task as to make water flow up hill.

Just one other point along this same line: It was interesting to watch these organizations at the producing end, all of whom I admit have a right to organize for the sake of effecting anything in the way of securing advantages that may be brought about for them so far as their methods are proper, and it was interesting to find a statement on the Senate side in connection with some cooperative farm organization with reference to their desire to have cooperative packing points, and also the desire that they should have the facilities for distribution, namely, the refrigerator cars, without the investment expense in connection with the business, and still more the branch-house feature. Of course, I think you have heard enough detail thus far on the packing business to appreciate that the branch house is an utterly different proposition than a cold storage warehouse. The Trade Commission in its summary and in its report deals with the branch house as though it was something in connection with the railroad terminal. Probably this has already been explained to you. It is far from a railroad terminal. In fact, in connection with our business, the branch house is a thing of brains, a thing of skilled employees; it is a thing involving ability to buy, ability to estimate and forecast the market, and the consumption, and ability under necessity for handling perishable products without deterioration, a place that affords opportunity to the butcher to come and buy, a place that requires credit facilities and collection facilities, and also a facility which is the very pulse of the central executive management in connection with buying operations. Of course, unless there is constant flexibility and constant knowledge all the way through the organization, there is no way of knowing how you are going to buy.

The branch house has to know how you market at all these distributive points, whether up or down, and anyone who ran his business on the basis of what appears to be the conception of the Federal Trade Commission as to what a branch house is; namely, some place where anybody can send in all their stuff, and after that have a Government official or somebody else dispose of it, would soon make a failure of his business. I suppose any of the packers, if it could be worked out, would be quite glad to have such cold storage warehouses established by the Government as that on some price bases would take off their hands the manufactured products which they had made, but I am inclined to think that the moment anybody begins to figure how that would work out as regards the consumer and whether it would be properly distributed and what the cost would be, and whether with perishable products of this kind there would not be an enormous loss, and many times starvation on the part of great cities, it seems to me the conclusion would be reached that the food supply ought not to be centralized into anything that has this warehouse proposition about it.

It seems to me that as far as you gentlemen are concerned and as far as anyone who is interested in the subject of market distribution is concerned, who tries to get into the philosophy of the thing a little bit and the general laws governing it, that you could not get a more wonderful illustration of an experimental field than to go

down about Seventh Street and Pennsylvania Avenue and figure out whether the market down there, even respecting the packing situation is a free market, and whether an outside concern, a cooperative concern, would have any difficulty in getting into that market. You will find in proper season everything from a truck garden man who brings his wagon in, and the Italian fruit vendor, and a little sausage man and somebody who has only a stall, and somebody who has a great building, and somebody who does his business in a cellar and another who conducts his business in his pocket, almost. There is every variety in the world down there of merchandising distributive organizations, and if anybody to go down and take a look at it and then as regards the branch house end of the packing business, say that they combine in the sale of all the different classes of goods that they handle, and say that there is anything that savors of the closed shop down there, it would be a great surprise to me.

As regards the proposition of regulating prices, you can get a very good idea as to market conditions if you will read what is said in the reports of various market commissioners, which show variations of \$2 a hundred weight one week, and the next day a variation of a dollar on the same commodity per hundred weight, you will certainly see that this proposition of fixing prices is not the prevailing way in which business is done. From the standpoint of the Cudahy Packing Co. I want to say that we are and have been in the business competitively for all the years that we have grown up. In this connection it is interesting to read the old Senate reports back in 1889, at the time when all these possible things were prophesied about the packers. There were Messrs. Swift, and Morris and Armour and Hammond at that time, but no mention was made of Cudahy. We were not in existence then, or were hardly in existence; but in the lapse of time this organization that was not mentioned in connection with these forebodings a few years ago, is up in pretty good company now, although it is not the biggest company.

Mr. Chairman, I believe Mr. Cudahy himself is to appear before the committee according to your arrangement.

The CHAIRMAN. That is a matter to be arranged between you and Mr. Wilson.

Mr. CREIGH. I have nothing further to say, except in answer to any questions you may care to ask.

Mr. ESCH. In the latter part of section 3 of the bill it says:

That the provisions of such license may include the relation, direct or indirect, of the licensee to the purchase, manufacture, storage, or sale in interstate, of commodities other than live stock and the products derived or in part from live stock or the slaughtering of live stock.

In your opinion, would a license with such powers granted enable the Government, through whatever agency it might select, to bar the packers from engaging in what might be called side line business?

Mr. CREIGH. Well, it seems to me the language there, while somewhat indefinite, nevertheless can fairly be interpreted as an indication that some one is to have the power of saying, with reference to the license, as to the kind of business that you may do. And might I, in that connection, Mr. Esch, say a word if it will not put you off? It is right on this subject here. Obviously, as we can see by the Trade Commission's report, and what we hear about the wholesale groceries being put out of business by the packers, we can figure that some such

idea as that is in the minds of whoever are the advocates and the draftsmen of this bill.

Of course, you gentlemen have all heard up here, in this committee particularly, the proposition of limited prices on specialty articles. Among other things, the Cudahy Packing Co. has a specialty article of which it is very proud, Old Dutch Cleanser, going to the grocery trade. We originated it. We had a limited price selling plan that operated only in the jobbers' trade, that we thought was entirely fair. However, and very properly, the Trade Commission, in connection with trying to work out the subjects, began proceedings after filing its complaint against us, to get us away from this limitation of price to the jobber.

That prelude is rather immaterial to this, nevertheless they proceeded, and after a full hearing the trade commission makes this finding in a decree in our case, which reads, among other things, as follows, and I quote now from the last annual report of the commission, page 129:

That, expressed in the form of a percentage of the net sales, the total costs or expense of jobbers and wholesalers selling according to customary jobbing methods range from 6.3 per cent to 10.71 per cent, and that the common figure (i. e., the predominant, typical, and most frequent figure and the one around which the figures of all wholesalers center) is 8 per cent; that some of such concerns have interest charges which range from 0.4 per cent to 3.03 per cent on net sales, and that the common figure is 1.5 per cent, etc.

And then the commission makes this finding in our case:

That respondent, by its policy of maintaining prices and discriminating and refusing to sell to jobbers and other wholesalers failing to adhere to such prices, endeavors to protect and has protected the relatively higher cost and less efficient jobbers and other wholesalers, constituting the bulk of the jobbing and wholesale trade, in the gross profit margins fixed as aforesaid against the competition of relatively lower and more efficient jobbers and other wholesalers.

I do not think that was perhaps a fair finding against the wholesale trade of the United States, but it seems to me that it was rather an indication that perhaps some of this sentiment the commission expressed as regards the jobber possibly being driven out of business by the packer might relate back and have some connection with the commission, at least finding in our case, to the effect that their scale of doing business was so high that somebody else might undersell them.

I am sorry I have made my interjection so long, but I thought this reference to the jobbing situation would be of some interest.

Mr. ESCH. How is Old Dutch Cleanser connected with the packing industry? How did you come to get into it?

Mr. CREIGH. Almost from the beginning of the packing industry we have had soaps, of course. In connection with soap, we have salesmen out, and we have a distributing system for the soap, and, of course, the soap trade at times has been in such shape that it has not been profitable, so our people began to look around to see if there was not some other thing through which they could utilize both some of the packing-house fats and also their selling organization, and they developed Old Dutch Cleanser, and it has been very successful in that respect.

Mr. ESCH. Do you think that it would be wise if we were to legislate to equalize the flow of stock to the central markets, instead of

having it come in on Mondays and Wednesdays, in order to stabilize the price and prevent fluctuation?

Mr. CREIGH. Well, in that respect, I would like to ask that question of Mr. Cuhady, he being a more practical man than myself. Nevertheless, the packer has an interest, it seems to me, in having a relatively even supply of live stock that will just about take the capacity of his plant. I think the others have stated to you the old Chicago situation, and you understand our company has no plant there. However, I remember the day the market something that really did not operate to anyone's advantage. Whether some one could invent a scheme of regulating the flow here and get in the quantities, it seems to me the competitive packing house would have a whole lot of interest in who was to regulate it. It seems to me the individual jobber is apt to have a good many kicks coming if he can not ship to you when he wants to, but that is not a packer's problem.

Mr. DOREMUS. If there is anything in this bill which limits the number of products that should be handled by the packing house, it starts with section 3, which authorizes the President to insert in the license such terms and conditions as he may deem proper. Without asking you as to the constitutionality of a provision of that kind, do you think that section 3 empowers the President to issue a license, say to the Cudahy Packing Co., for instance, that would limit your business to the purchase, sale and packing of meat products and their legitimate byproducts, to the exclusion of everything else?

Mr. CREIGH. Is that the end of the question?

Mr. DOREMUS. Does that section authorize him to do that?

Mr. CREIGH. It seems to me that a department having the section as it appears here coming to it to enforce certainly would be entitled to take that position.

Mr. DOREMUS. Your construction of that section is that it authorizes, or is intended to authorize, the President to insert in the license a limitation upon the number of commodities that the packer can handle?

Mr. CREIGH. Well, of course, this is a permissive provision all the way through, which may include the relation of the licensee to products. Now, whether it may include also the question of prohibition is a rather fine point, but as the bill is argued by Commissioner Colver, as I understand it, the grocery situation, for example, is brought very prominently to the front. It seems to me that with those words, it is not very much of a stretch to have some one say the Cudahy Packing Company can not make Old Dutch Cleanser and sell it; not that they would, particularly.

Mr. DOREMUS. I asked one of the witnesses—I do not recall now who it was—whether there was anything in the bill which prohibited the packing houses from engaging in the manufacture and sale of commodities which are not naturally and legitimately related to the meat packing industry, and my recollection is that he said there was no such provision in the bill. Now, section 3 provides that the license shall be issued by the President through such agency or agencies as he may designate, and upon such terms as he may prescribe in such licenses and under such regulations as may from time to time be prescribed by him, or with his approval, by such agency or agencies as he may designate. That is as far as I care

to quote it. Would that language empower the President, when issuing a license to the Cudahy Packing Co. to confine their business to the purchase, sale, and packing of meat and the legitimate by-products of that industry? Can you give us an opinion on that?

Mr. CREIGH. It seems to me that there are so few limitations in this section 3, barring the constitutional question which you do not want me to discuss; I mean anything is possible which the administrative official desires to do.

In that connection I might cite you one illustration that runs in my mind. This often seemed to me to be an indication of the stretch that an administrative official may make of his powers. Here we have the Food Administration act and we have the requirement for a license under that. That act is in connection with the preparation and the distribution, we will say, of food products, and so on, yet under that they catch the stockyards, and give the stockyards a license under this law, in connection with foods, and they have a provision with respect to the necessity of having a license to engage in the business of buying dead animals. The whole thing is just a stretch after a stretch after a stretch. I am not saying that in any critical spirit against the way in which the licenses are issued, but as illustrative of what seems to me a highly absurd stretch, that from a food proposition you get to a dead-animal proposition.

Mr. DOREMUS. The Cudahy Packing Co. is organized under the laws of Illinois, I presume?

Mr. CREIGH. We happen now to be a Maine corporation.

Mr. DOREMUS. How do you happen to be organized under the laws of Maine?

Mr. CREIGH. Well, it is a very easy answer, and I am very glad to give it to you. The Illinois laws, the corporation laws of the State of Illinois, unfortunately do not provide for a preferred stock, and in connection with certain internal affairs and arrangements of our business we had to have preferred stock without voting power.

Mr. DOREMUS. Do the laws of Maine authorize a company engaged in the packing business to engage in the manufacture and sale of all food products?

Mr. CREIGH. Of course, the corporation laws of Maine are very broad and the powers are almost as anybody desires to write them into his charter.

Mr. DOREMUS. The point I am getting at is this: Whatever you are doing, you are doing within the laws of the State under which you are incorporated.

Mr. CREIGH. And in the other States in which we do business, of course.

Mr. DOREMUS. Would you care to express your opinion as to the constitutionality of the provision which authorizes the President to limit you in the license that is issued to a certain number of food products to the exclusion of others? Do I make my question plain?

Mr. CREIGH. Yes. I was going to dodge a real answer to that by saying that I am quite sure that all of you men on the committee have an opinion in that respect which, by your experience, legal and otherwise, would be a great deal better than mine, but I certainly can not see how we can stretch these words, regulation of interstate commerce, and get it down to the point of describing the various

details and processes of a man's business until the time he gets into some other class than the ordinary domestic corporation.

Mr. DOREMUS. Some of the members of this committee are lawyers, but they have not worked at it so very hard.

Mr. SWEET. Just following the line of thought suggested by Mr. Doremus, do you believe that Congress has the power, under the commerce clause, to legislate in regard to the packing business? That is to say, do you believe that Congress by passing a law has the right to give the President authority to license packing plants in any way in time of peace?

Mr. CREIGH. Well, under my view of the situation, of course, in connection with the regulation of interstate commerce, we do have a number of laws that affect the packing-house business, and they have been held to be constitutional. I know of no law, however, that is not of a general type as applied to all who are engaged in interstate commerce, or I know of no law that is aimed in so many words at a packer, as such, nor do I know of any law which might permit anybody to classify packers thus engaged in interstate commerce as distinguished from a carrier of commodities of a variety of different kinds; in other words, to get up a system of nonequality. Of course, we do have nonequality at the present time under the Food Administration act as regards price limitation, that it must be applied to two different sizes of business, nevertheless that does not give us an illustration, because that is a war-time measure.

STATEMENT OF MR. C. H. BROOKS, WICHITA, KANS.

Mr. BROOKS. Mr. Chairman and gentlemen, I am connected with the Wichita Stock Yards Co., in the capacity of president.

The CHAIRMAN. Wichita, Kans.?

Mr. BROOKS. Yes; Wichita, Kans.

The chairman has warned me that the stockyards proposition has been pretty well taken care of, and I certainly appreciate the courtesy of being permitted to speak to you a few moments, and I will show my appreciation by being very brief.

I shall not undertake to go into the details of the operation of the stockyards. I have no doubt in the world that that has been thoroughly gone over, and really, there is not much difference between the stockyards and their method of operation, and in the manner in which the animals are handled in the yards. I only want to say, in reference to that, that the Bureau of Markets has made a close examination of our stockyards, and they have said, with reference to its methods—Mr. Hayes, representing the Bureau of Markets, examined the Wichita yards and their method of doing business, and expressed the opinion, or said, that he had prepared and sent to the department a method for the operation of the yards and the movement of animals in the yards, and he was sorry that he had not studied our methods before, because he thought they were the best methods that he had ever seen.

They have also said that, so far as our yards are concerned, no criticism, no complaints, had ever been made to the Bureau of Markets, concerning our operations, or concerning the treatment our patrons had received from the yards, so really there is not much to be said so far as that is concerned.

But I do want to say a few words to the committee in regard to the history of our yards, very briefly, because we have had a rather unusual experience. Our yards were organized in 1887 by the citizens of Wichita, when the town had a population of perhaps 25,000. No packer was connected with the yards at the time of their organization, but it was started because it was felt by the citizens of Wichita that it was a necessary thing to promote the upbuilding of the town. so some of our citizens got together and organized the stockyards and bought land adjacent to the city, perhaps three or four miles distant from the city at that time, and established these stockyards. Later they went to work and built pens and the other necessary adjuncts of a stockyards, a stock exchange building, et cetera, and later securing a couple of small packers to locate there, Jacob Dold & Co., who located there in 1887, and Whitaker & Sons, who located a packing house there about the same time, and the business continued for perhaps 10 or 15 years there intermittently. Francis Whitaker's packing plant failed, and the Dold Co. languished, and the stockyards and the market was a rather indifferent concern.

In 1906 the Cudahy Packing Co. acquired the plant of the Francis Whitaker Co., who failed, and established a large packing plant at Wichita, and invested probably a million and a quarter of dollars after having been there a few years.

I wanted especially to call the attention of the committee to the method with which they transacted their business in the yards. From the very moment the packing house was established there the Cudahy Packing Co. got in back of the market and purchased all of the hogs. It was not a cattle-killing establishment at the time. They purchased all the hogs that came to the market. Whether the quantity was in excess of their packing capacity or not, they bought them all, what were not bought by the Dold Packing Co., so that from that moment a substantially high market was established in Wichita.

The people of that country, the country tributary to Wichita, had confidence in the market and shipped their stock there, and ever since that time there has been a good, reliable, substantial hog market at Wichita which has enjoyed the confidence of all of the country tributary to that city, and that had been done because the prices had been maintained.

No hogs now go through Wichita to Kansas City. Our city is located midway, practically, between Fort Worth, Oklahoma City, and Kansas City, so that animals originating in the territory tributary to Wichita are billed to Kansas City with the privilege of the Wichita market. They stop at Wichita, and if they are not sold at a price that is satisfactory to the shipper, they go on to the Kansas City market; but for many years past Wichita has absorbed all of the hogs that are raised in the country that would naturally be tributary to Wichita.

I want to call your attention also to the fact of the competitive conditions which arise by reason of our location, whether that is particularly material to the inquiry or not. I think this same principle would apply to most of the smaller yards. We are a small yard, but we are large enough so that we come within the exception of this bill. That is to say, last year we had animals shipped to our yards in excess of a million head; but, as I say, this competitive feature that I am speaking of applies, I think, to nearly all the smaller

yards. That is to say, if the animal does not sell on the Wichita market at a price within the range of, for instance, say the market at Kansas City or St. Joe or Omaha or any of the Missouri River markets, which would be a price equivalent to those markets less the freight between the cities and the shrinkage which would naturally occur in shipping the animal from Wichita to those Missouri River points, it would not sell in Wichita; it would go on and be sold on the Missouri River markets.

So that we have that constant competition which compels the payment of a price that is commensurate with the price that is obtained at the Missouri River markets.

And also, explaining again the competitive conditions under which we operate, and which are not at all within the control of the packer, is the fact that the animals that are shipped to the Wichita market originate in western Kansas, northern Oklahoma, in the Pan Handle of Texas, and in New Mexico. All of those points are immediately accessible to the market at Fort Worth and Oklahoma City. It is about the same distance from those points to Fort Worth, Oklahoma City, and Wichita, so that in order to get the animals to move to Wichita, we have to pay a price in competition with the prices that are paid at Fort Worth and Oklahoma City, and we also, as I said before, have to pay a price that is commensurate with the prices at the Missouri River markets, because farmers are all thoroughly conversant with the condition of the market, and if there is the slightest sag in the market at Wichita, the animals go on.

That condition also obtains with reference to cattle. We had no cattle market at Wichita until perhaps about 1909. At that time the Cudahy Packing Co. established a beef killing establishment at Wichita, investing several hundred thousand dollars in that plant, and have been constantly on the market, buying and packing animals that came to that market. The same competitive conditions obtain with reference to the cattle. If the animals do not bring a satisfactory price, a price commensurate with the prices on the Missouri River markets, they go on. Wichita is so located that it is a convenient point for the unloading, feeding and resting of the animals. So the practice of the cattlemen is to stop at Wichita, test the market, and if it is not satisfactory, go on to the Missouri River markets on the through rate, so that there is absolutely no loss or no detriment to them at all, to stop and test the market at Wichita.

So that now, since the establishment of the Cudahy Packing Co. at Wichita, there has been built up a very fine market which is of very great value to that section of the country, not only a market for fat cattle, but also a very important stocker and feeder market. Last year, there were handled in our market in the neighborhood of 400,000 cattle. More than half of those animals were purchased by farmers and stockmen, who came in from the surrounding country and bought the animals at the yards, and took them out to their farms to further finish for beef.

That is also the case with hogs. There are a great many stock hogs shipped there. In other words, the market now is a recognized factor, a recognized institution, in that section of the country, for the purchasing and the selling of animals. It is one that is resorted

to constantly by the stockmen and the feeders in the State of Kansas, in Texas and in Oklahoma. The animals that are bought at Wichita for stockers and feeders are shipped probably to two-thirds of the counties in the State, and are shipped to perhaps 8 or 10 different States in the Union.

It probably would be of no particular interest to tell you of the receipts that we have at our yards, because that subject has been gone over fully by others who have testified in regard to stock yards, but I wanted to say a word further about the capital stock. A large number of our yards are owned by people in the immediate vicinity. Probably 60 per cent of the stock of the yards company is owned by people other than the packers. The Cudahy Packing Co. owns all the other stock in the yards except what is owned by people in no way connected with the yards. Some of it is owned in Kentucky, but the principal portion of the stock, other than what is owned by the Cudahy Packing Co., is owned by citizens in and about Wichita, stockmen, producers, as well as business men, in the town.

The physical value of the property is somewhere in the neighborhood of \$1,700,000 or \$1,800,000. I think the plant is easily worth upwards of a million and a half, and it is capitalized at \$1,400,000, and the stock sells readily at par. It is an institution that the people of the city of Wichita and the surrounding country value very highly, and, of course, are deeply interested in its success and its prosperity. They feel that anything, whether it is in the way of legislation or anything else, that would interfere with the growth and development of the market would be a calamity to the country.

Mr. ESCH. What dividend did you pay last year?

Mr. BROOKS. I want to say on the subject of dividends that for 20 years, nearly 20 years, up until the time the Cudahy Packing Co. located there, the company paid no dividends at all. But then shortly after that it began to pay a regular quarterly dividend of $1\frac{1}{4}$ per cent, or 6 per cent per annum. Last year we paid a larger dividend than in previous years. We paid an extra dividend of 2 per cent. Last year was an unusual year, and the receipts and earnings were larger than they had previously been, and were abnormal, because of the drought conditions that prevailed in Texas, New Mexico, western Oklahoma, and western Kansas, which occasioned the shipment of larger quantities of cattle to the markets than was normal. That situation prevailed at Kansas City, St. Joe, and all the Missouri River markets, as well as at Wichita. Our normal earnings now justify the payment of a dividend of 6 per cent on our capital.

Mr. SWEET. Does the Cudahy Packing Co. own a majority of that stock?

Mr. BROOKS. No. The Cudahy Packing Co. owns 40 per cent of it.

Mr. ESCH. Are any other packers interested?

Mr. BROOKS. No; not to any extent. I was looking over the list of the stockholders since I came here, and I find that the Dold Packing Co. owned 27 shares; that is, of the par value of \$100.

Mr. ESCH. None of the so-called big five, outside of the Cudahy plant, owns any interest?

Mr. BROOKS. None whatever. The Cudahy Packing Co. is the only big packer, I might say, that is interested in the yards.

Mr. Esch. The ownership of the stockyards by the large packers introduced competition between points where these plants are located?

Mr. Brooks. I beg pardon?

Mr. Esch. The ownership of the stockyards by the individuals composing the big five creates competitive conditions between the towns having such plants?

Mr. Brooks. These competitive conditions exist; they undoubtedly exist.

Mr. Esch. Well, if Swift & Co. is interested in the stockyards at St. Joe, is it?

Mr. Brooks. Yes; Swift is.

Mr. Esch. Swift & Co. are interested in the stockyards at St. Joe, and Cudahy is interested in the stockyards at Wichita, and some of the other big packers are interested at Kansas City. Does the ownership of these several stockyards create a desire on the part of their owners to get all the business they can draw to their own stockyards?

Mr. Brooks. Well, I do not know that I can answer that. I know that the packing houses at Wichita—and there are two packing houses there, Dold & Co., and Cudahy—aim to get and pay the price that does get the quantity of stock that answers the capacity of their packing houses, and in order to do that they are compelled to pay a price that will prevent the animals moving to the Missouri River markets. There are none of the other big packers now who have any buyers on the Wichita market. I do not think they do.

Mr. Esch. Only Cudahy?

Mr. Brooks. Cudahy is the only one of the big packers that has buyers there now. There are times when the supply of hogs is plentiful that other large packers have had buyers there. I think Armour has had a buyer there occasionally when the supply of hogs was plentiful.

Mr. Esch. And he gets the same treatment as the big buyer?

Mr. Brooks. The same treatment as any other buyer. And the individuals go on to the yards and buy. There are several small packers, one at Arkansas City, and another one at Topeka, who appear occasionally on the yards and buy. But within the last three years the quantity of hogs has been limited, because in Kansas the corn crop has been a practical failure the last three years, which has resulted in quite a diminution in the supply of hogs. There was a time when the Cudahy Packing Co. was taking perhaps twice their capacity in hogs, in order to take care of everything that came to the market; in other words, to support the market, and on those occasions the animals would be shipped to its plants at other markets.

Mr. Esch. If the company owning stock in the stockyards would want to have those stockyards do a capacity business through the year, in order that they might make whatever profit they could in the operation of the stockyards, would that desire to make profit out of their holdings of stock in the stockyards induce them to pay a little higher price for the animals to get the animals to come to the stockyards?

Mr. Brooks. Well, I do not know to what extent that would operate on their minds; I suppose it would simply compel other packers to meet that competition at their yards. I do not think an investiga-

tion of that proposition would disclose anything that would tend to show that result; I do not believe that it would.

Mr. Esch. You will have the privilege, Mr. Brooks, of extending your remarks in the record.

Mr. Brooks. I want to express my thanks to you gentlemen. I know you have been pretty well bored with the stockyards proposition.

Mr. Esch. Well, we felt that we ought to give you an opportunity to make a statement.

(Whereupon, the committee adjourned.)

(Mr. Brooks subsequently submitted the following for the record:)

Accepting the privilege offered by this honorable committee to extend my remarks into the record. I wish to say, concerning the extent of the plant of the Wichita Union Stock Yards Co., that it owns 108 acres of land, some of it within, but mostly adjoining, the limits of the city of Wichita. Nearly all of this land is used by the yards in their operation.

There are about 600 cattle pens, accommodating about 18,000 head of cattle daily, 133 hog pens, affording a daily capacity of 15,000 head, and provision for taking care of 5,000 head of sheep daily. All the pens are paved and provided with feeding racks, water troughs, and a constant supply of water. The hog pens are provided with sprinkling apparatus, so that in warm weather the hogs can be sprinkled whenever necessary. The horse and mule barns are large and ample, and have a capacity to take care of 1,500 horses and mules.

A few years ago the company erected a concrete, fire-proof live-stock exchange building, at a cost of about \$85,000, supplying offices for the company, commission men, and all others desiring to do business at the stockyards.

The company now has prepared its plans to greatly increase its yardage capacity by the construction of new pens, and also to construct a large hotel for the accommodation of its patrons. These improvements are needed but are held in abeyance pending the final determination of the status of the property.

There are located and doing business at the yards, 14 commission firms, and 12 firms dealing in stockers and feeders, known as traders. There are three serum companies, also located at the yards, all doing a very prosperous business. Neither the stockyards nor the packing plants are in any way interested in the serum companies. There are also several grain and hay firms having offices at or near the yards. The hay barns owned by the company and located on its property have storage capacity for about 5,000 tons of hay.

It has always been the policy of the yards to keep its improvements in advance of the demand, so that at all times it is able to quickly handle all animals, no matter how large the run may be. This fact accounts, largely for the fact that no complaints have ever been made by any of its patrons of the service rendered by the company.

The Stock Yards Co. does not own any of the terminals located on its property. The four principal railroads entering the city own in common the tracks which serve the yards, leading to the unloading docks and chutes. These tracks are laid upon the ground owned by the Stock Yards Co. The tracks so owned in common by the railroads are called association tracks. The association is unincorporated, but is known as the Wichita Terminal Association, and all switching is done by the terminal association without charge to anyone. The cost of operating the association tracks is paid by the railroads constituting the association, on a wheelage basis. There are two small railroads entering the city, which do not belong to the association; and shipments arriving over those railroads are subject to a switching charge, which is absorbed by the road over which the shipment arrives.

One of the chief obstacles to the upbuilding of the market at Wichita was the unfavorable freight rates and train service. The railroads appeared to be unfriendly to the establishment of a market at Wichita, although situated in the very center of the hog and cattle producing region of the Southwest—and always favored the Missouri River markets. After the location at Wichita of the Cudahy Packing Co., a persistent and continuous fight was maintained for the establishment of better rates and service, until final rates were established that enabled the market to successfully compete with other markets.

The market would be greatly improved by the establishment of one or more additional large packing establishments. The Stock Yards Co. has always been willing to do all that it could, legally, to induce other packers to establish houses adjacent to the yards. This has been prevented principally because of inadequate sewerage facilities. This objection will soon be overcome; a sewerage system is now being constructed to the packing house and stockyards district, which will afford ample sewerage for many years to come.

This company is opposed to the present bill. We consider it wholly unnecessary. The yards are now operated at the highest standard of efficiency, and the patrons of the yards, themselves, would object to any change. In all the evidence introduced before the commission, there is nothing to show that any discrimination or unfairness has been practiced by any of the yards. The ownership and control of the yards has nothing whatever to do with the prices paid for live stock. The yard companies have nothing whatever to do with the buying or selling of the animals; they simply act as a hotel for the accommodation of cattle, hogs, and sheep, affording every convenience for their care and feeding, and every facility for their sale and speedy and economical handling. The service performed by the stockyards is in no sense a transportation service. The Supreme Court of the United States has held that transportation ceases when the carrier unloads the live stock in unloading pens. At that point the Stock Yards Co. takes charge of the animals. They are turned over to the commission men or the owner, who has complete charge of them until they are sold. The Stock Yards Co. simply furnishes the pens, feed, and facilities for weighing, and moving animals from point to point to satisfy the convenience of those in charge; and the better the service rendered, the larger the patronage will be. While the animals are usually handled through commission firms, there is no requirement that that be done. Any person can sell his own stock without the agency of a commission firm, and any man can personally buy whatever stock he pleases. Most shippers, however, prefer to do their business through reliable commission firms doing business at the yards. The evolution of the business has developed that the commission man is an aid to the economical transaction of the business.

The history of the upbuilding of the market at Wichita has been a history of constant struggle. It is now an accomplished fact and recognized as one of the reliable, substantial markets of the Southwest. The people whom it serves are satisfied with the methods by which it was built up and would consider it no less than a calamity for the Government to interfere by taking over or controlling the yards. They feel that it would result in a decline in efficiency of service and operation. It would be a greater calamity if they were treated as terminals and operated by the railroads. In either case the competitive feature and the direct personal interest necessary to promote superior service and efficiency would be absent. A decline in efficiency would naturally follow. Our experience with the railroads is not such as to inspire any confidence in their management or in their desire to promote and upbuild the market.

Much time has been spent and expense incurred in securing just and equitable freight rates and lining up the train service throughout the territory contributory to this market. The results accomplished by this labor and expense would quickly be lost if the yards were operated by the railroads as a terminal facility. No incentive would exist for creating superior facilities. Live stock could be easily diverted to other markets.

The service is not a transportation service at all; no more so than the service a produce man or a wholesale grocer performs, who receives merchandise at his warehouse and distributes it throughout the country. With equal propriety it might be said that the railroads should operate the wholesale grocery and produce houses as an instrumentality of transportation.

We believe that the small stockyards and small markets throughout the country will suffer greatly if the bill is passed. There would be no object for people to spend their time, money, and effort to build up stockyards, with the certainty that when it became firmly established so that the receipts exceeded 500,000 head per annum, and a point reached where a return was being received on the investment, the Government would take over the property and carry on the business. No one would spend his time and effort in building up a business, when he could derive no benefit from its operation.

I thank the committee again for its consideration.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Wednesday, January 29, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order. I believe it is well understood that to-day and to-morrow are to be given to the completion of the statements upon the part of Cudahy & Co. and Wilson & Co. Is either Mr. Cudahy or Mr. Wilson present?

**ADDITIONAL STATEMENT OF MR. THOMAS CREIGH, ATTORNEY
FOR THE CUDAHY PACKING CO., CHICAGO, ILL.**

Mr. CREIGH. Mr. Chairman, I trust that on the preliminary part of what I am about to say, my newspaper friends here will be a little bit kind to me.

Mr. Edward A. Cudahy, the president of the Cudahy Packing Co., very much desired to appear before this committee. During the previous week or so he had been confined to his home. He made an effort, however, to get down here and was in town yesterday, and is to-day, but to-day he is so much under the weather that he feels he can not undergo even the trip up here. He has asked me, therefore, to request of the chairman, if I might either to read the statement which he has prepared, and so far as the record may go, perhaps, to be really Mr. E. A. Cudahy. If the committee desires to know anything about our business that would, in a brief way, supplement the record that was made yesterday by Mr. McNaughton and myself covering other aspects, and those which we hoped Mr. Cudahy might himself cover with you to-day.

I hope, and I feel sure, gentlemen, that no one will have the idea that there is evidenced by this any possible unwillingness or fear on his part to meet the committee.

We, who are lieutenants and fellow workers with Mr. Cudahy in the organization are great admirers of him. We want the public and yourselves to be fully acquainted with him. We feel that a sight of Mr. Cudahy and a knowledge of the reputation he has among those who know him, his own associates and business men generally, would show the honesty and the propriety of purpose and integrity and fairmindedness of the man as something that is a great asset to the Cudahy Packing Co., and we feel that if we could only have him here to meet you men, it would go far to dissipate whatever of suspicion or misunderstanding there might be on the part of the public or of the Congress, either as regards our company or its status in this industry.

Mr. HAMILTON. I understand you to say that Mr. Cudahy is sick.

Mr. CREIGH. Yes, sir.

Mr. HAMILTON. That ought to be sufficient.

The CHAIRMAN. Let me ask you this question. Of course, it is unfortunate that Mr. Cudahy is not able to come before the committee, and I see no reason personally why you should not be permitted to read the statement, but it appears now that perhaps Mr. Cudahy will not be able to be here to-day or to-morrow.

Mr. CREIGH. That is correct.

The CHAIRMAN. So that the committee might ask any questions they desired.

Mr. CREIGH. Yes.

The CHAIRMAN. The committee might determine after the reading of the statement not to ask any questions at all, but suppose they should want to do so?

Mr. CREIGH. I am sure that nothing would make us more happy than that such a double combination of circumstances should come, that the committee would desire to meet Mr. Cudahy and he might then be able to be here. We regard it as a very great misfortune, in the light of what I have just said, that he can not be here, because we appreciate this opportunity.

The CHAIRMAN. Then I see no objection to you reading the statement which he would read if he were here.

Mr. CREIGH. Thank you very much, Mr. Chairman.

The CHAIRMAN. Of course, subject to his being called before the committee later if it is so desired.

Mr. CREIGH. That is perfectly understood, and we hope it may come to pass in that respect.

Mr. HAMILTON. It is understood, is it not, that Mr. Cudahy will appear before the committee later.

The CHAIRMAN. If the committee desires.

Mr. HAMILTON. And the understanding now is that the committee so desires, is it not?

The CHAIRMAN. So far, I do not know whether they will or not. After he has read his statement, and after we get through with Wilson & Co., if the members of the committee want Mr. Cudahy to appear so they may examine him upon the subject matter of his statement, or upon anything else, he not only will come, but as I understand it, he is anxious to come.

Mr. CREIGH. We are very hopeful we may have such an opportunity.

The CHAIRMAN. I do not understand that in case he should not come; that is, in case the committee should not call for him to testify later, that his statement will not be printed or not be considered.

You may proceed, Mr. Creigh.

Mr. CREIGH (reading):

STATEMENT OF MR. EDWARD A. CUDAHY, PRESIDENT OF THE CUDAHY PACKING CO.,
CHICAGO, ILL.

Mr. Chairman and gentlemen of the committee, my name is Edward A. Cudahy, and I am the president of the Cudahy Packing Co. Although we have no packing house in Chicago, our general offices are there. We own and operate some six packing houses and a number of smaller factories handling other kinds of products. We have more than 125 branch houses in this country. We have about 1,500 refrigerator cars and substantial interests in two stockyards companies—Wichita, Kans., and Salt Lake City, Utah.

Our financial situation, capitalization, gross sales and earnings are all shown in the printed statement which I would like to leave with you. This covers our last fiscal year ending October 31, 1918.

I might say in regard to that printed statement that in Mr. Creigh's testimony of yesterday the statement was exhibited.

I have some copies here, if any member of the committee would like to have one.

Mr. RAYBURN. I would like to have one, because I did not get one yesterday.

The CHAIRMAN. By consent, all those statements went in the testimony yesterday.

Mr. CREIGH (reading):

My older brother, Michael, and myself were connected with Mr. P. D. Armour, and in 1887 a corporation was formed in which he had an interest with us which then began in a small way at South Omaha, Nebr., the business which has since grown into the present somewhat large affair. In 1890 Mr. Armour sold his interest to my brother and for many years after that the corporation was a close family affair, owned by us and our children.

In 1915, my brother having previously died, a reorganization took place under which I succeeded to the control and the interests of my brother's family were placed into preferred stock.

Owing to the growth of the business since then and a desire to have our employees and the public have an interest with us, the stock has been listed in Boston and Chicago, and I should say we now have nearly 1,000 individual stockholders.

From what I have seen in the newspapers and have been told, your committee has for some time been hearing witnesses and studying this large and complicated industry. Exhaustive statements have been given you by the larger companies and others.

I do not think you will wish me to treat very extensively of matters of a general nature which have already, no doubt, been well covered by others. I do wish to make two or three statements on account of our company.

The report of the Federal Trade Commission charges us with being in a combine or agreement with our competitors, the others of the so-called "Big Five." This I deny, and I state that we are in severe competition with them, and that since the injunction of 1902 we have had no agreements or combination with them or any of them, or in any manner.

We have never been interested in or a party to the National Packing Co., either at its organization or any other time, nor upon its dissolution did we succeed to any of its properties or business.

The investigation of the Federal Trade Commission was, in my opinion, not fair—nor were its methods such as to develop the truth. Its conclusions were not correct, especially as regards our company. Our position has already been stated to you by our Mr. Creigh. Also our Mr. McNaughton has made a statement to you covering some of the other details of our business.

As regards the pending bill: I have read it. As a business man it greatly concerns me. I do not believe in government ownership. Nor do I think it would be a success or be as efficient with respect to the packing industry or of as great benefit to the public as the present system, which has grown up as the result of individual initiative and experience.

I feel that our profits are reasonable—in fact, they are lower than those of any other industry I know of.

The bill is so extremely indefinite as to the terms which may be imposed for a license, or as to what may be required of a licensee, that, while I can not forecast what might happen, I know that if the purposes of profit limitation and price fixing (especially for live stock) which are suggested should be imposed as is hoped for by some, it will so restrict the industry as to hamper it and prevent our serving the public as well as would be the case leaving the present freedom for individual initiative and the use of ordinary business methods in effect without interfering with the law of supply and demand such as would be attempted by the government control.

Of course, I do not discuss the bill from the standpoint of a lawyer, but as a practical business man whose life has been spent in this one industry and who knows its difficulties and necessities, especially those for ample earnings in order to finance it due to the increased prices paid for live stock which have steadily advanced and which have made yearly a greater necessity for the borrowing of more and more money. I do not think the possibility of governmental regulation would result in anything else than uncertainty and a lessening of credit. Certainly you do not desire to do anything which might put the meat food supply of the Nation in a similar situation to that in which the carriers now are. We must have large earnings in order to still better serve the needs of a growing country and of the world. In the case of our company and its

earnings, I wish to refer you to the printed matter accompanying the annual report, and to emphasize the fact that a very large part of our earnings is made from inedible products—a very large part of which comes from materials not derived in any way from the animals which we buy and slaughter.

Our interests are common with those of the consumer and the producer. We must all have the welfare of the others at heart. Each depends absolutely upon the other two. Complete and better publicity of the real facts, coupled with friendly cooperation, will, in my opinion, yield far better results than more legislation.

I will be glad to answer any questions which I can which any of you may care to ask me.

I thank you.

The CHAIRMAN. I believe that closes what you have to present?

Mr. CREIGH. On the Cudahy side, yes, sir; unless there are some questions.

The CHAIRMAN. Is Mr. Wilson or his representative present?

Mr. SHAW. Mr. Chairman, may I have your attention for just a moment.

The CHAIRMAN. Just wait until I get the information. Is Mr. Wilson present? I have not the good fortune to know him.

Mr. LIGHTFOOT. Yes, sir; Mr. Wilson is present.

The CHAIRMAN. Is he ready to proceed?

Mr. LIGHTFOOT. Yes, sir; whenever the committee desires to hear him.

The CHAIRMAN. The gentleman who was just before us was here last week and wanted—

Mr. SHAW. The president of the Union Stock Yards & Transit Co. has a short statement which he would like to read.

The CHAIRMAN (continuing). And he asked me at that time if he came back to-day could he read a statement, and not dreaming but what the five large packers would be entirely through by that time I told him that, so far as I was concerned, I would be glad to give him that opportunity. I am still glad to give him that opportunity, but I take it that if it had not been for what is supposed to be the effect of the five large packers on the live-stock industry, etc., this hearing never would have been held at all, and, therefore, that is the big end of the hearing, so to speak. The general details of the operation of the stockyards and all that sort of thing has already been considered, yet I do not want to deny any man an opportunity to be heard; but I do not want the opportunity of Mr. Wilson or anybody representing the five large packers to be curtailed, or for anybody to go in ahead of them until they are through. Now, that does not mean that this gentleman will not be heard at all; but if Mr. Wilson is here, following Mr. Cudahy, I will be very glad that his statement should appear in the record at this point. I understand the president of the stockyards company only wants a few minutes, and, so far as he is concerned, I have no doubt that is true, but I do not know how much time the committee would consume in questioning him.

Mr. LIGHTFOOT. We will be very glad to yield a short time.

The CHAIRMAN. Now, you name the time.

Mr. SHAW. It will take Mr. Leonard, the president of the Union Stock Yards & Transit Co. of Chicago, about 15 minutes; not more than 15 minutes to read his statement. Our company has been under attack probably more than any other company in the United States

and it is the largest stockyards in the world, and we would like at least to refute some of these statements.

The CHAIRMAN. There is one trouble about that, and of course, you are not at fault, or Mr. Leonard, or anybody else, and the committee is not at fault, but if the committee should go into an extensive cross-questioning it might be absolutely impossible for Mr. Wilson to be heard to-day.

Mr. RAYBURN. Mr. Chairman, let us have an understanding now that this man will proceed and Mr. Wilson go on the first thing in the morning, because there are some important matters to-day in the House and we can not be here all day; at least, I can not. If this gentleman goes on now, let us have an understanding to hear Mr. Wilson to-morrow morning.

The CHAIRMAN. I am perfectly willing to let him come in following the close of Mr. Wilson's statement and the statement of his representatives.

(On motion of Mr. Barkley, the committee decided to hear Mr. Wilson.)

STATEMENT OF MR. THOMAS E. WILSON, PRESIDENT OF WILSON & CO., CHICAGO, ILL.

The CHAIRMAN. Mr. Wilson, you may make your statement in your own way, just as you like or think best, and then the members of the committee will ask you such questions as they think pertinent relative to the proposed legislation, and you may make your statement either standing or sitting.

Mr. PARKER of New Jersey. Please give us your full name.

Mr. WILSON. Thomas E. Wilson, president of Wilson & Co., located at Chicago.

I will say, gentlemen, that I appreciate very much the opportunity of presenting to you my views on this situation. I realize fully the time you gentlemen have already spent on these matters, and I will undertake to be just as brief as I can, yet I am not going to overlook anything, if I can help it, and as you suggest that I may sit down, I will be glad to do so.

I would like to see the committee first determine whether the operation of the packing houses is economical and sound, and whether they serve the people to as good advantage and at as little cost as possible.

I am quite sure that you, gentlemen, will find that this is one industry that has stood up under stress of war times and has been able to meet the situation efficiently. Besides completely meeting the requirements of our allies and our own Army and Navy, shipping immense quantities to Europe, and at the same time we have been able to take care of the requirements at home and no one has suffered for want of our products.

There has been no collapse of our industry. I believe when thoroughly understood it will be appreciated that the packing business is an asset to the American people. The committee should determine whether these things are true, and should by no means attempt anything which will destroy the efficiency and value of that organization; but if improvements from the standpoint of consumers and

producers are possible, let us add them to the already efficient machine rather than scrap it for something less efficient.

As a packer, I will be very glad to help the Government make any changes found to be necessary, for I believe that by doing so I will be acting in the best interests to both the producer and the consumer. We would like to have the producer fully realize that the packing business is their vehicle for distributing the products of their meat animals. We would like to have the consumer realize that we are delivering to them their foods in the best possible shape and at the lowest possible cost.

I want to first emphasize the fact, which so far I do not believe has been disputed, that the packing business as a whole is efficiently operated, the packers constantly striving in an effort to reduce costs, utilizing to the maximum not only meat products but by-products derived from the slaughter of animals, this being accomplished by scientific methods. We are continually trying to find new ways to produce and improve methods of production at minimum cost.

This efficiency is exemplified by the fact that the small country dealer in remote sections of the country can handle meats from the packers delivered to him in better condition and of a better quality, thus enabling him to sell the meat cheaper to his customers than if the animals were killed locally, notwithstanding freight in both directions would be saved by slaughtering the animals locally, enabling him to do a greater volume of business as a dealer at more profit and more satisfaction to his local trade, due primarily to the fact that he can not compete with a first-class packing plant.

I do not believe it has been denied that meat is delivered to the consuming trade at a margin of cost between the price of the live animal and the cost of the meat laid down to the dealer that could not be materially reduced.

It is true that the cost of meat products has been on the ascension, especially for the last three years, chargeable first to the increased cost of the live animal, increase in the cost of labor, and substantial increase in all kinds of supplies entering into the operation of the packing business. The packers' earnings per dollar of sales as shown by last year's statement have not increased but have shown a decrease.

Now, if I may divert for just a moment from this statement, I would like to give to you gentlemen some figures that were announced yesterday at a meeting which was held in the Food Administration offices, between the Food Administration, the agricultural advisory committee of the Food Administration, and the packers, in connection with the stabilization of the hog prices for the month of February.

These figures are the figures showing the business and showing the earnings on the controlled products of the packers under the regulations of the Food Administration.

These figures were submitted from time to time as the periods closed by the packers to the Food Administration, who, in turn, submitted them to the Federal Trade Commission for such audit and check as they saw fit to give them.

For the first two months that the five large packers were under the supervision of the Food Administration, which were November and December, 1917, the amount invested in these controlled departments

was \$606,839,516; that is, of the five packers, and all of these figures have to do with the five packers only.

The profits shown for those two months amounted to \$4,031,556. That amounts to sixty-six one-hundredths of 1 per cent on the investment for the two months, or at the rate of 3.96 per cent for a year: they were the first two months under the operation of the Food Administration's regulations.

Now, for the entire year ending at the 1st of October, 1918, which includes these two months, the total investment was \$174,000,000.

Mr. PARKER of New Jersey. You mean the 31st of October, do you not?

Mr. WILSON. I beg your pardon; you are correct. Yes; the 31st of October.

Mr. STEPHENS. Do you mean the investment at any one time or the maximum?

Mr. WILSON. That would be the average investment.

Mr. STEPHENS. For the year?

Mr. WILSON. Yes, sir. The total investment was \$714,187,204. The total profits shown were \$40,695,935, or 5.6 per cent on their investment.

The sales during that year, as reported and as checked, amounted to \$2,400,000,000, and on the basis of the sales the profit was 1.6 per cent; that is, for the five packers for the entire year.

The CHAIRMAN. And confined to meat products?

Mr. WILSON. Confined to meat products as controlled by the Food Administration.

The CHAIRMAN. That is the impression I got and I simply want to verify it.

Mr. WILSON. Yes, sir; that is correct.

Mr. SNOOK. Do these figures cover all your transactions or just those in which your profits were limited?

Mr. WILSON. Just those in which the profits were limited by the Food Administration. It has nothing to do with the general business. These are the controlled departments.

The CHAIRMAN. Proceed with your statement, Mr. Wilson.

Mr. WILSON. Those figures were released yesterday and they will be published, I am sure, probably to-day.

I would just like to call to the attention of the committee the fact that those profits on that volume of business, a perishable business, a risky business at best, figuring 5.6 per cent, I do not believe anybody could argue to be excessive. I think any packer or any man could have taken that amount of money during the war period and easily have lent it out at a greater rate of interest than that.

Mr. DOREMUS. Mr. Chairman, would it be of any advantage to have Mr. Wilson at this point insert a list of these controlled products?

The CHAIRMAN. I think they have already been put in the record.

Mr. HAMILTON. I do not know about that, Mr. Chairman.

The CHAIRMAN. Mr. Wilson, in connection with the statement you have just read—I do not mean that you are to do it now—but when you revise the stenographic report of your hearing, you can add a list of the food controlled products embraced within this control.

Mr. WILSON. Yes, sir.

Mr. HAMILTON. Can not Mr. Wilson state right now the limits of the Food Administration's control.

Mr. WILSON. I can state in a general way.

Mr. HAMILTON. That is what I want.

Mr. WILSON. It includes all the edible end of the business, plus the by-products, and nonedible departments which are credited up to the live animal at some stange or other; it includes all of the edible products of the packer's business and then it also includes all profits that are derived from the operation of the by-products departments resulting from the slaughter of animals up to the first manufacturing point; that is, up to the first market point. For instance I want you to be clear on that, in the case of hides, it includes the market price of the hides, but not the profit on leather or any thing of that sort.

Mr. HAMILTON. In other words, cattle, hogs, poultry, sheep—does it cover poultry?

Mr. WILSON. Poultry would not be in on this because poultry is controlled in another way through separate regulations. It would not be in on this and canned vegetables would not be in on this, nor canned fish would not be in on this. These are the edible products resulting from the slaughter of animals.

Mr. HAMILTON. Will you state briefly just how poultry is controlled in another way.

Mr. WILSON. Well, there are regulations of the Food Administration limiting the profits on poultry; separate regulations, because there are so many others in that industry besides the packers that it would be necessary to cover that separately.

The CHAIRMAN. Proceed, Mr. Wilson, with your statement, and in editing your notes, you can add anything that will further explain the matter, if you wish to do so.

Mr. WILSON. It is my idea, after careful analysis, that this bill contains no healthful suggestions, but must, in carrying out the provisions of the same, result in hampering and ultimately seriously affecting the economy and efficient operation of the business.

I am quite sure that when you gentlemen have heard all the facts you will be convinced that the packing house business as it is at present operated is most economic to the consumer, and any legislation tending to break down or interfere with the efficiency of this business will be reflected immediately by increased cost to the consumer without any benefit to the producer.

If you feel there is need for improvement and it can be found where improvement can be made, then take the business as it stands to-day and help us improve it.

If it is thought best to take the stockyards under Government control, do so by utilizing the present efficient management and supervision, intelligently regulating these facilities to whatever extent necessary, keeping intact individual initiative.

If it is considered advisable to make some improvement in the situation that will be more healthful for the smaller packers, the same method of procedure should prevail. Let the Government find some way of enabling them to better help themselves. This applies particularly to distributing facilities, such as refrigerator cars, branch houses, cold storages, etc.

Wilson & Co., is already short of refrigerator cars, which I will enumerate in detail later on, and I do not believe it is fair or good policy that you should force my company to reduce its operations at the various plants to offset the lack of the same facilities in other companies. It must be apparent that unless the proper program is carried out, conserving and building up what is already efficiently established, the consuming public will be the sufferer. Especially will this be the fact if present car line organization is broken up and scattered.

My personal opinion is that the function of the Government is not to provide facilities to carry on commercial enterprises. This can only have the effect of stagnating competition and destroying personal initiative. These matters should be treated strictly on a commercial basis and a concern should so handle its business that its results will enable it to secure credit sufficient to build cars or branch house and warehouse facilities necessary to take care of their increased business. Certainly, speaking for Wilson & Co. we have no objections—in fact would welcome some method whereby all legitimate competition would be supplied with the necessary facilities to do business.

The conditions surrounding my taking over the management of this company has been given a great deal of publicity. I will very briefly outline the transaction, my reasons for making the change and the circumstances surrounding the affairs of what was at that time the S. & S. Co.

Mr. STEPHENS. What is the S. & S. Co?

Mr. WILSON. Sulzberger & Sons Co. Up to the time that matter was brought to me, I had been for about 28 years in the employ of Morris & Co. I started in with them. It really was the first position that I ever held, yet not exactly so, because I had worked about a year for the Chicago, Burlington & Quincy Railroad; but at the time that this matter was brought up to me, I was president of Morris & Co.

I was approached by the bankers to take hold of the business; that is, the business of Sulzberger & Sons Co., and declined the proposition when first put up to me.

After declining individually it occurred to me that it would be a good thing for the Morris interests and the Sulzberger interests as well, if these two properties could be made into one company—there being several points where plants and selling facilities would not conflict, offering as I thought an opportunity to work out combined and economical management. This plan, however, did not work out, as the Morris interests, at that time represented by the widow of the late Edward Morris and his two sons, did not approve of it. It was after this plan was abandoned that I was again approached by the bankers to take charge of the business, negotiations finally resulting in my entering into an agreement, most of the details of which have been given a great deal of publicity and doubtless are familiar to the minds of most of you gentlemen, if not all of you. I am very glad, however, to briefly review this contract.

Now, in doing so, it will also bring up the question of my salary, and I am going to discuss that with you, saving any of you gentlemen the embarrassment of asking me what it is. I think you know, because it has been stated by the Federal Trade people. I want to

say to you—I will say first that my salary is \$125,000 per year; that that is the same salary I was drawing from the Morris interests when I made the change. There was no additional inducement given to me in the way of salary. My salary was all that I had in the Morris interests. Now, in conjunction with the salary arrangement that I made with the new concern, I made a trade with them for a certain amount of the common stock of the Sulzberger & Sons Co., and that was this, and I will state in advance that it is already of record here that the common stock of that concern had been offered around, in fact, peddled on the market, and Sulzberger had offered it to Swift, the entire \$20,000,000 of common stock, for \$1,000,000 or \$5 per share. Now, you will get from that, gentlemen, what the then supposed value of that stock was.

Mr. MONTAGUE. What is the par value?

Mr. WILSON. One hundred dollars. Now, I made a trade and they gave me outright one and a half million dollars of the common stock of that company.

The CHAIRMAN. Sulzberger & Sons Co. or Wilson & Co.?

Mr. WILSON. Sulzberger & Sons Co. Wilson & Co. came later. Wilson & Co., Mr. Chairman, is a continuation of Sulzberger & Sons Co. We simply changed the name but not particularly the financial set up.

Mr. HAMILTON. Were you not obliged to reincorporate?

Mr. WILSON. No. In addition to the million and a half of common stock that was given to me without any charge, they gave me an option on three and a half million dollars of the common stock at \$10 per share. Now, I recognized at the time that that was more than the stock had been offered to others at, but I was not in a position to buy, and I took the option at the best price I could get, which was \$10 per share, and that option I have since exercised, and I now own—that is, myself and my family—a little over 40,000 shares of the stock of now Wilson & Co., formerly the S. & S. Co.

Mr. HAMILTON. What is the par value of that stock now?

Mr. WILSON. \$100.

Mr. HAMILTON. I mean, what is it selling for now?

Mr. WILSON. On the market to-day, it is selling for about 67½. When these hearings started it was selling for \$75. I mention that, because I think it is significant.

Mr. MONTAGUE. You say that you and your family own 40,000 shares.

Mr. WILSON. Yes, sir.

Mr. MONTAGUE. What is the total number of shares?

Mr. WILSON. Two hundred thousand. Now, of course, looking at the proposition to-day, that was a cracking good trade that I made, but when you consider, gentlemen, the condition of the affairs as I found them, the condition of the affairs of that company as they were put up to me by the bankers at the time, it was not quite as promising as it looks to-day.

I do not want to repeat, but I do want to impress upon you the one fact, that I did not get any increase in salary when I made the move; all the advantages I was to get out of that proposition I had to make out of the stock, and it was up to me to make the proposition good in order to get any advantages over what I already had.

The CHAIRMAN. Except the million and a half of stock which was given you.

Mr. WILSON. The million and a half which was given me outright, but unless I made good on the proposition, it would not have been worth anything, because I could not have gone out, probably, and sold that million and a half at any price at that time.

The CHAIRMAN. I am not pretending to argue about that, but I am just trying to get it clearly in my own mind.

Mr. WILSON. Yes; I am glad you brought that out, because I think it is a fair suggestion to you.

Now, I want to read this statement to you, although, it will, in some respects, repeat what I have just said, but I would like to have it before you.

Please bear in mind that when I declined to sever my relations as president of Morris & Co., which company I had served for 28 years, beginning in a minor clerical capacity, working up to the various stages of the business to the presidency of the company, I think it can be assumed that I was fairly well situated. The business was prosperous, my relations were pleasant, and altogether had I been so inclined I could have rested on my laurels, so to speak, but when the proposition was presented to me by the bankers I saw an opportunity of taking hold of a property where was offered an opportunity to reconstruct and build up and put on its feet a big business in a line I was familiar with. I had no assurance other than confidence in myself and optimism as to the future that the change I was about to make would be a good one for myself. I did know, as everyone who knows anything about the situation also knows, that whatever was to result depended entirely upon the success of the rebuilding up of this business. The point I wish to make is that the plan which afterwards worked out successfully to the gratification of myself was more from the standpoint of success than the money involved and was to a certain extent in the beginning a gamble, and I am glad to be here and have the opportunity of justifying my conduct of Wilson & Co. as well as my relation in the packing industry as a whole.

First, I wish to say that the controlling interest in Wilson & Co. is held by myself and my friends. In fact, contrary to statements made, a very negligible amount is held by the original banking group who refinanced the business when I took charge.

Mr. Heney has given the impression that these bankers had 60 per cent of the common stock of Wilson & Co., and I will say for your information, gentlemen, that they have not over 10 per cent altogether; that is, all of the interests put together, which interests are on record before you, consisting of Higginson & Co., Solomon & Co., the Chase Bank, the Guaranty Trust, and Kuhn, Loeb & Co.: those five interests combined own less than 10 per cent of the common stock of this company, and I would like to say in that connection that contrary to the impression given out, that I am firmly of the opinion that these men had no thought of entering into the packing or into the food business. They approached this matter purely as a banking proposition. They saw, or they thought they saw, an opportunity as bankers to make some money, and they took the proposition on with the Sulzberger people, with that idea, and with that idea only, I am sure.

The CHAIRMAN. What did they pay for their stock when they got it originally?

Mr. WILSON. That I can not answer intelligently because I have no facts on that situation, but I think those facts are all before this body in the nature of the report of the Federal Trade Commission. Mr. Heney investigated all those facts.

The CHAIRMAN. I did not know whether it was admitted by yourself that the statement in the report as to what the bankers paid for that stock is correct.

Mr. WILSON. I do not know, Mr. Chairman. I assume they are, but those statements can be verified.

Mr. HAMILTON. What percentage of the stock of Sulzberger & Sons Co. do these bankers own?

Mr. WILSON. When they started out, they had substantially 60 per cent of the common stock.

Mr. HAMILTON. What percentage did they have at the time the change was made.

Mr. WILSON. That is the time I mean, sir, when the change was made.

Mr. HAMILTON. And now they have not to exceed 10 per cent.

Mr. WILSON. Not to exceed 10 per cent, and that is being disposed of by them all along.

Mr. HAMILTON. They approached you as a sort of lifesaver.

Mr. WILSON. They came to me and put the proposition in this way: They said they had been interested in that business at that time for about one year. They had promised the Sulzberger Co. to take care of a debenture that was coming due the following June of \$8,000,000, and before carrying out that agreement, they made a pretty careful investigation of the business. They had a thorough audit made of the business and an inspection of all the plants all over the country, and they said to me, when they saw me, that they were satisfied that that business lacked two fundamentals: First, it lacked sufficient financial backing, and second, it lacked the proper management.

Mr. HAMILTON. And their stock was worth, as I understand you, at the time of this change, about how much on the dollar?

Mr. WILSON. Well, on the market it was not worth over 5 cents, but I doubt if it was worth anything at that particular time, because they could not dispose of it. As I have said to you, it was offered, the entire stock, at 5 cents.

The CHAIRMAN. Or \$5 per share.

Mr. WILSON. Yes; \$5 per share. They put the proposition to me in that way, that it lacked those two elements, and they assured me if I would go with them and take the management of the business, they would back it up and finance it, and do anything that was within reason. Does that answer your question?

Mr. HAMILTON. Yes, sir.

Mr. WILSON. Not since I have been identified with this company has there been any agreements, understandings directly or indirectly with any other company. Wilson & Co. has from its inception, and is now in active competition with all other companies handling a similar line of products. Is it not conclusive that this is true when you consider the progress made by Wilson & Co. in

the conduct of its business which has been a gradual increase in sales and expansion along legitimate lines?

I will say right here, gentlemen, that the volume of our business for the year 1915 was \$122,000,000. Our business last year—

Mr. HAMILTON (interposing). What year?

Mr. WILSON. 1915; that was the year I associated myself with this company, on the 22d day of March, 1916.

The CHAIRMAN. And the profits for 1915 were how much?

Mr. WILSON. There was \$122,000,000 of business done.

The CHAIRMAN. I understood it wrong. I thought you said profits.

Mr. WILSON. \$122,000,000 of business, and our business this past year was a little less than \$400,000,000.

Mr. MONTAGUE. What do you call your last year?

Mr. WILSON. 1918.

Mr. MONTAGUE. Ending with December 31?

Mr. WILSON. Yes, sir.

Mr. DECKER. Did you say \$400,000,000?

Mr. WILSON. Yes, sir; now, I would like to say also in that connection, which will throw a little light on the condition of the company prior to my taking it over in 1912, the return on their net worth was 1.52 per cent. In 1913 it was 1.52 per cent, exactly the same as 1912; in 1914 it was 1.18 per cent, and in 1915, 4.40 per cent. That, I think, reflects the condition of that business prior to the change; and in that connection I think I might here put on record our showings. I have given you the total showing under the Food Administration regulations—the showing of Wilson & Co. for that entire year was 6.70 per cent on the invested capital and 1.99 per cent on the turnover.

Mr. SWEET. When you say \$400,000,000 you mean \$400,000,000 as measured by your sales?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Are you going to file anywhere with your statement a statement giving in detail your business, expenses, and so forth for last year?

Mr. WILSON. No; because we only closed the year at the end of December. We differ in that respect from all the other packers. As soon as that statement is audited, and we have Price-Waterhouse working on the statement now, and as soon as it is audited, I will be very glad indeed to send a copy of it here.

The CHAIRMAN. We will be very glad to have it.

Mr. WILSON. Before going into the general conduct of the business in its various ramifications, I wish to state briefly some facts in connection with the acquisition by this company of the packing plant at Albert Lea, Minn., which has been commented on by Mr. Heney to some extent, and I regret to say, Mr. Heney has apparently been misinformed as to several vital points in connection with the acquisition of this property and the operation of same.

It is a matter of record and common knowledge that the Albert Lea Packing Co., of Albert Lea, Minn., was acquired by Sulzberger & Sons Co. about two years before I took charge of the company. The Albert Lea Packing Co. was originally a cooperative affair organized and the stock owned by a large number of farmers, stock raisers, and residents of Albert Lea. It was operated a short time and closed, presumably on account of lack of adequate capital. Early

in 1914 Mr. W. F. Gage, of Albert Lea, Minn., president of the old Albert Lea Company endeavored to interest Sulzberger & Sons Co. in the purchase of the company. At that time the Sulzbergers decided they would not purchase same. Later Mr. Gage came to Chicago with a delegation of business men from Albert Lea, some of whom were stockholders of the old company. They made a very strong plea that the Sulzbergers take over this property, otherwise the stockholders would lose their investment and the live-stock interests in the territory tributary to Albert Lea would suffer. After considerable negotiations, arrangements were finally made for the sale of this property to the Sulzberger Co., and this plant was taken over by the Sulzberger Co. the latter part of 1914, and has been operated continuously since; extensive improvements and additions have been made. The plant is the largest industry in Albert Lea, and as now operated is undoubtedly a great benefit to the town of Albert Lea and to the live-stock raisers in that section.

I would just like to emphasize that date, "the latter part of 1914," because I am going to refer to it again in a few minutes, and also to remind you that I associated myself with this firm in 1916.

Mr. MONTAGUE. What name does it go under now—Wilson & Co.?

Mr. WILSON. No, sir; the Albert Lea Packing Co.

Mr. MONTAGUE. It still keeps its old name?

Mr. WILSON. Yes, sir.

The mere suggestion that we have made it difficult for Mr. Hormel to operate his plant at Austin, which is about 30 miles from Albert Lea, is an unfair statement, not warranted by facts. The records of the Agricultural Department will show that Hormel & Co.'s volume has not been curtailed by the operation of the Albert Lea plant. I do not think that he has had any trouble in getting all the hogs he wanted, excepting possibly in the summer months, which is the season for small hog receipts in all markets. As a matter of fact, within the last couple of months Mr. Hormel made the statement to the Food Administration in my hearing that he could not handle all the hogs that were being offered him.

Mr. Heney further states, apparently with the view of leaving the impression that it was done to handicap Hormel & Co., that Cudahy established a concentration station 100 miles up the railroad the other side of Hormel, but Mr. Heney fails to state that the Cudahy referred to is the Cudahy Bros. of Milwaukee, a company owned and operated entirely independent of the Cudahy Packing Co. In fact, the Cudahy Bros. of Milwaukee is considered one of the largest of the so-called independent packers in the country, and so far as competing with the larger packers, is exactly in the same position as Hormel & Co. Mr. Heney further states that Hormel pays at his plant the Chicago prices for hogs, saving the farmer the freight to Chicago and the commission he would have to pay. I venture the assertion that if Hormel or any western packer made a practice of paying Chicago prices for his hogs he would get more hogs in one day than he could handle in a week, but it would not be very long before the plant closed, as he would not be able to compete with the packers east of him on account of the higher freights on his finished product to the seaboard.

Hormel & Co. have built up a large and undoubtedly profitable business. They have built same on the lines that the larger packers

have tried to work, and on the lines that any successful business must be built, and that is employing or developing good men, closest possible following of every detail by the owners and managers of the business, fair treatment to the producer, the dealer, and the consumer. Mr. Heney makes a number of references to the failure of cooperative packing company plants. I believe an investigation of any specific case of the failure of a cooperative plant will develop the following facts:

First, that the plant was started without adequate capital.

Second, that the management was placed in inexperienced hands, and the result would have been no different had the cooperative plants been furniture factories, automobile factories, or any line of manufacturing business which requires experienced skill and adequate capital.

Now, gentlemen, in that connection I have not any doubt but what you are familiar with the evidence which Mr. Heney has given on that subject. I am not sure whether it was given before this committee or before the Senate committee.

Mr. MONTAGUE. He has not appeared before this committee.

Mr. WILSON. Then I will tell you about it. In the record over there, Mr. Heney has said, in the first place, that as soon as I became interested in the business of Wilson & Co., that I immediately went up North there and located this old, deserted packing house at Albert Lea, Minn.; that I bought it, and that I started it up, and that I immediately commenced to make it impossible for Mr. Hormel to buy the hogs necessary to run his business. In addition, as I have stated here, that the Cudahy people, another of the Big Five, started a concentration point in that vicinity, and also helped to make it impossible for Mr. Hormel to buy his hogs. Mr. Victor Murdock, I think, was before you gentlemen when Mr. Colver was here.

The CHAIRMAN. He was present, but he has not made any formal statement.

Mr. WILSON. Mr. Murdock, when Mr. Colver was describing that situation to you gentlemen, described the beautiful green fields up there, and he very graphically described the starting up of that business with Mr. Hormel starting in with killing just a few hogs, and so forth, and then showed how these big packers surrounded him and made it impossible for him to do business. In addition, Mr. Heney has stated before the Senate committee that Wilson & Co.—and he has got papers from the files of Wilson & Co. to prove that Wilson & Co. instructed their hog buyers at Albert Lea to buy the hogs away from Mr. Hormel at Austin, to go under him if necessary, and ship the hogs to Chicago, if necessary, at a loss.

Now, I want to say to you gentlemen that that statement is the same as the other. In the first place, he makes the definite statement that I personally went up there and bought that property after I took over this business. I want to say to you positively that the property was in the possession of this concern and operated for nearly two years prior to my associating myself with Wilson & Co. or the Sulzberger business.

Mr. HAMILTON. In 1912, then?

Mr. WILSON. No; 1914.

Mr. HAMILTON. The Sulzberger Co. got it in 1914?

Mr. WILSON. Yes, sir.

Mr. HAMILTON. And you went in in 1916?

Mr. WILSON. Yes, sir; and I want to say to you that he can not present any letters showing that Wilson & Co. instructed their hog buyers to do any such thing. I make that as a positive statement, because I have called upon the Federal Trade Commission to show me the letter stating that, and they can not produce any such letter. They do produce a letter from our superintendent to the head of our provision department saying that unless they are able to get more hogs to operate that plant at Albert Lea, they will have to go into the further territory, and I defy Mr. Heney or anybody else to present any letter showing that any instructions, as a result of that letter, were given to our hog buyers. It was merely a suggestion from an operating superintendent to the head of our provision department in Chicago, contrary to the statement he made, that that letter showed that these instructions went out from Chicago to our hog buyers to do that.

The CHAIRMAN. I do not want to interrupt you, but that is a statement that Mr. Heney made before the Senate committee?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And of course, you contemplate going before that committee?

Mr. WILSON. Yes, sir. I just cite that, and I am not finding fault with Mr. Heney or the Federal Trade Commission, but it is very unfortunate that such statements are made by men of such standing and with that backing of the Government and not substantiated by the facts. I do not think Mr. Heney wanted deliberately to hurt me or Wilson & Co. by that statement; but he simply recited his interpretation of the thing, maybe, that he had heard or thought he had seen, and they are entirely unfair, and I just bring that out to bring to your attention the fact that had they given me the opportunity to have discussed these matters with them, I would have saved that embarrassment to them and to me, too.

Mr. MONTAGUE. Was that letter to which you have just alluded published in the Senate hearings? Did Mr. Heney put it in the hearings of the Senate committee?

Mr. WILSON. Yes, sir. I want you to know also that this all happened, of course, long prior to my associating myself with the company.

Mr. MONTAGUE. You mean this letter from the superintendent?

Mr. WILSON. Yes, sir.

Mr. MONTAGUE. Was that before you became associated with this company?

Mr. WILSON. Yes, sir; long before.

Now, before leaving that point, I want to bring to your attention the statement that Mr. Hormel has made in connection with that matter. Mr. Hormel appeared before you and I read his evidence, and he told you that he started up in business in 1892, and during the year 1892 he slaughtered 610 hogs.

Mr. DECKER. Who is that?

Mr. WILSON. Mr. Hormel at Austin, Minn., the one Mr. Heney claims we are trying to put out of business. He slaughtered in 1892, 610 hogs during the entire year. He has also testified that he is now slaughtering 4,000 hogs per day. He has also testified that he is ship-

ping 100,000,000 pounds of stuff per year. He has testified before you that he has a very healthy business; that he has felt no ill effects from the competition of any packer, and he has developed a business with a capital of \$2,200,000 of common stock and \$1,000,000 of preferred stock. He has progressed. Nobody has stopped him and there is nobody trying to stop him, and there is nobody who can stop him.

Mr. MONTAGUE. You mean, then, to convey the idea that he is very much injured in the Federal Trade Commission's opinion but in his own opinion he is not injured?

Mr. WILSON. Yes, sir. The Federal Trade Commission people say he has been injured.

Mr. MONTAGUE. And he himself says he has not been?

Mr. WILSON. Yes; he said that to you and he said that before the Senate committee, very emphatically, and the facts show he has not, and I know he has not.

Mr. RAYBURN. Is this place Mr. Murdock testified about Albert Lea, Minn.?

Mr. WILSON. Yes, sir.

Mr. RAYBURN. Or Austin?

Mr. WILSON. No, sir; our plant is at Albert Lea and Hormel is at Austin, and they are about 30 miles apart.

Mr. RAYBURN. This is the concern that Mr. Murdock testified that somebody had gone just outside of them and had frozen them out, or starved them out.

Mr. WILSON. Yes, sir.

Mr. RAYBURN. And you say that he is prosperous?

Mr. WILSON. Yes, sir; very prosperous. He testified before you and told you of the success he had had in his business; that he has had no interference from any of the larger packers, and has had no difficulty in competing with the larger packers.

Mr. RAYBURN. And he is getting as much live stock as he wants to buy?

Mr. WILSON. He is getting more than he can buy and more than he can handle, and he has so stated. He did not state that here, but he has so stated in my hearing to the Food Administration, that he can not take care of all the hogs that are coming to him.

Mr. MONTAGUE. Does he have refrigerator cars?

Mr. WILSON. Yes, sir; he testified here that he did not own any now; that he had had ten, but had found them unprofitable, if I remember his evidence as I read it correctly, and that now he is depending upon the railroads, and I think he has at times leased some cars.

Mr. SNOOK. This is the statement Mr. Murdock made, in substance, on page 95 of Mr. Colver's statement:

During this investigation—that is, the Federal Trade Commission's investigation—it was discovered that the larger packers, the five big packers, or some of them, had established around the city of Austin, Minn., concentration buying places, places where stock could be intercepted on its way into Austin, taken away from Austin, and shipped into Chicago.

And then he went on to say that eventually they would wipe this plant out.

Mr. WILSON. Yes, sir; and I am now telling you they did not do that, and that the concentration point that Mr. Heney referred to in his evidence before the Senate committee was one established by Cudahy Brothers of Milwaukee, who are just as much of an independent concern as Mr. Hormel is.

Mr. DECKER. Are they any relation to the other Cudahy?

Mr. WILSON. I think there is a relationship, but I do not know what it is. I think it is rather distant.

Mr. DECKER. I mean a blood relationship and not a financial one.

Mr. WILSON. That is what I mean. I think there is a distant relationship.

Mr. DECKER. And they are doing business for themselves?

Mr. WILSON. Yes, sir; entirely so, and perfectly capable of taking care of themselves.

Mr. DECKER. You do not know whether the Chicago Cudahys own any stock in the Milwaukee Cudahy concern?

Mr. WILSON. I think it has been stated they do not.

Mr. CREIGH. For the purpose of completing the record, I can say positively that they do not; that there is no interrelation of management or financial affairs of any kind.

The CHAIRMAN. You may proceed, Mr. Wilson.

Mr. WILSON. Another transaction which has been touched upon at this hearing is the T. M. Sinclair Co., of Cedar Rapids, Iowa. These properties were acquired by the former management in 1913, after considerable negotiation with the Sinclair interests, for the sole purpose of furnishing additional facilities for the sales distribution already established. I will be very glad if the interests controlling the business who have been active in its management since that time were questioned as to the fairness and honesty of the deal, both at the time and since the property has been acquired, particularly since I have been president of Wilson & Co.

The acquisition of these properties has resulted in increased competition for live stock, and a healthy, prosperous growth of the business resulting in capacity operations and employing the maximum amount of labor at the highest wages.

I would like to say that when I went with the concern, Mr. Sidney Sinclair was president of the T. M. Sinclair Co. of Cedar Rapids, and he continued as president up to the time he died, which was about one year ago, and he was succeeded by his nephew, Mr. Archer Sinclair and Mr. Robert Sinclair; and they have continued uninterrupted in the management and in the policy of that concern, with such help as we are able to give them only, and they are perfectly able and competent to do it, and do do it, and do it well, and have been successful, continually successful; and since their association with this concern they have increased their business very materially; and in my opinion, it has been a great help to them as well as a help to that part of the country; that is, a help to the producers in that part of the country.

Wilson & Co. is in active competition with all similar lines of business, backed up by an efficient management in every branch of the business, having improved their manufacturing facilities, brought their products up to the highest state of efficiency and won the confidence of the public at large, including the financial interests all over

the country, with the result that the business has grown to its present proportions within a period of a little less than three years.

Wilson & Co. have no interest in the Chicago, or any other western stock yards.

I want to say right there, in order that there may be no possible question about it, I state positively that the company has absolutely no interest in any western yards, but I want to give you before passing, my personal interests. I ought not to take your time in mentioning them because they are so small that they have and could have absolutely no influence, but I will start by saying that I have not, directly or indirectly, one share of stock in the Chicago stock yards or in any of the companies connected with it; I mean by that, the Maine Co. or the New Jersey Co. or any of them. I have no interest whatever in the Chicago stock yards, personally, or any of my family or any of my connections.

In Kansas City, I own 28 shares of preferred stock and I own 254 shares of common stock. That preferred stock represents 1-30 of 1 per cent of the issue, and the common stock represents 1.45 per cent.

In Oklahoma, I own 500 shares; that is, my children, Mrs. Wilson and myself together, own 500 shares, representing 5 per cent of the capital stock of the Oklahoma Stock Yards.

Mr. HAMILTON. Where are they located?

Mr. WILSON. At Oklahoma City. In the St. Louis National Stock Yards, at East St. Louis, I have 154 shares out of a capital of \$4,300,000, or figuring it in percentage, it represents .0038—it is pretty hard to call that.

Now, I cite this because in the chart which Mr. Heney has prepared—or the Federal Trade Commission—he shows a joint ownership in all these yards, and in every instance he has shown Wilson & Co. as being interested in these yards where I have these personal interests, interests that I bought on the market, and paid the market price for with my own money, and which I own absolutely for myself and for nobody else; and they are so small that I am sure you gentlemen will agree that they could have no influence in the operation of the business.

Wilson & Co. have no interest in Chicago or any other western stock yards. Our purchases of live stock are made principally at stock yards located in Chicago, Kansas City, and Oklahoma City. and, as I have previously stated, we have no stock-yards interests whatever there. We have experienced no disadvantage in buying the quantities, qualities, or at the same price as our competitors. being, we are convinced, on equal terms with all.

Mr. HAMILTON. You spoke a moment ago of western stock yards.

Mr. WILSON. I say that because we have yards at Jersey City called the Central Union Stock Yards Co., which really is not a market yards. It is a yards to furnish the facilities for our own cattle, primarily, that we ship for slaughter in New York for the Kosher or Jewish trade; and I did not want to make a statement—I could not make the statement that we did not own any stock yards because we do have that one, although it is not what is commonly known as a market yards.

Mr. HAMILTON. And that is the only stock yards in the East you have any interest in?

Mr. WILSON. That is the only one, excepting on the B. & O. in conjunction with that, we have a little yards where the cattle or stock en route are taken off and watered and forwarded at Connells-ville, Pa.

Mr. PARKER of New Jersey. Where is the yard you say you own?

Mr. WILSON. That is at Jersey City, known as the Central Union Stock Yards. It is not what is commonly known as the Jersey City Stock Yards. That is a yards that has been under discussion here, which is controlled by some of the other packing interests.

Mr. ESCH. Do any of your directors or stockholders have interests in these stock yards to your knowledge?

Mr. WILSON. No; none whatever. None of our people have in any way that I know. I know they have none that they hold for the company, and none of them, as far as I know, have any for themselves.

The CHAIRMAN. Proceed with your statement, Mr. Wilson.

Mr. WILSON. In this connection it is my opinion that stock yards under the control and management of private corporations are superior in every way to what they would be under Government ownership or control. We believe that under the present circumstances competition and efficiency in the operation of yards is more assured.

I say that, gentleman, from my experience in connection with the operation of these yards. I have been in positions where I could observe them, and I know that the ownership by any of the other packers in any of the yards where I am doing business has had absolutely no effect on my buying live stock. I am thoroughly satisfied that my buyers have every privilege that the buyers of any of the other packers who may own stock have, whether they own it or not, in any of the yards. I am perfectly willing to take my chances with the buyers of the other packers regardless of their ownership in stock yards. I am perfectly satisfied I have an even break with them in that respect. There has been a great deal of talk with reference to this question, and I am just going to discuss one feature of it with you gentlemen. I do not want to overload you with it. I heard your remarks about the stock yards and the intimation that you were pretty familiar with it, but I would like to take a little of your time and give you the history of the Oklahoma yard situation. I think it is due you I should do that, because I located those yards at Oklahoma City and was responsible for their being there, and I have taken a great interest in that development and the development of live stock in that State ever since.

I will say to you that when I was still in the employ of Morris & Co.—I was then vice president of Morris & Co.—Mr. Edward Morris was not very well. He was in Europe at the time and had been for several months. I sent three or four of our men out through the southwestern country and they made a survey of that country, spending probably four months, with a view to locating somewhere out there. I did not know where it was going to be. We had been offered inducements to go to Fort Worth. A delegation of the Business Men's Club of Fort Worth came to Chicago and saw me, and offered us great inducements to go to Fort Worth; but I did not want to determine where we would go until I had made a survey of the country, and I sent these men out and they spent three or four months making an exhaustive study of the then conditions and possibilities, and after they had done that and made their report, I per-

sonally went out into the field, and I finally landed at Oklahoma City, where the yards are to-day. I do not know whether any of you have ever been there, but we have yards there with an investment of about \$1,250,000.

Mr. HAMILTON. How many acres in that yord.

Mr. WILSON. In the yards proper there are probably 80 acres. That is a guess, Mr. Congressman, because I do not know exactly without checking it up, but when I went out there, there were no stock yards in Oklahoma City, none whatever. I determined, finally, to locate before I said a word to anybody in Oklahoma City, the Commercial Club or anybody else, although we had from time to time had requests from them to locate out there, suggesting they would make it interesting for us if we could come out there. But before I went near any of those people I made a personal survey of the country and I finally located a piece of property that I thought was what we wanted. It was then a beautiful alfalfa field, and I arranged to buy it, and we did buy it. Then I saw the Industrial Club, and at that time they were very enthusiastic and they agreed to give to Morris & Co. if they would locate a packing house there \$250,000, which agreement was afterward consummated. That was, I think, in 1909. Morris & Co. went ahead then, and they incorporated the stock yards and they started work on a packing plant at that point.

Mr. HAMILTON. Did you take title to this alfalfa field in yourself or in somebody else?

Mr. WILSON. That was taken not to myself but it was taken in the name of the company or else in the name of an individual at the time. I am not sure, and afterwards put in the name of the company. I am not quite sure about that.

Mr. HAMILTON. Precisely; and the \$250,000 inducement occurred afterwards?

Mr. WILSON. That inducement went directly to them. That was a direct promise to Morris & Co. for the location of the packing house there.

Mr. PARKER, of New Jersey. Did they get stock for it or just give it to them?

Mr. WILSON. They just gave them the money. Finally, Morris & Co. went ahead and built a packing house there, Morris & Co. investing, as I remember it, somewhere around \$2,000,000 in that packing plant. They completed it and they built the yards; that is, they organized a yards company and that yards company built the yards. Every dollar of stock that was issued by the yards is represented by dollars put in there by the stockholders and by nothing else, dollar for dollar. There was over \$1,000,000 invested in those stock yards, and that \$1,000,000 represents packers money and the money of the few other stockholders who were interested. That 500 shares I have represents an investment on my part of \$100 per share, actual money, that I put in.

Shortly after the Morris people started, the Commercial Club and the Industrial Club out there were very anxious about another plant. The Fort Worth people were claiming they had a competitive market and that Oklahoma City did not have a competitive market. Fort Worth had Armour and Swift, and the people of Oklahoma City were very enthusiastic about the proposition and very anxious to have another plant, and at that time negotiations were opened up

with the Sulzberger & Sons Co. to locate a plant at Oklahoma City. The Sulzberger & Sons Co. covered the field pretty well themselves and they finally concluded that Oklahoma City was a promising place to locate a plant, and finally would up by negotiating to locate a plant at these yards, which they did, and their total investment in there to-day is a little over \$3,000,000 in a plant.

Now, it was up to the packing interests to make that a success.

The CHAIRMAN. Just a moment. Mr. Wilson, for a little explanation. You say, "to-day," you do not mean that Sulzberger & Sons Co. are now in existence?

Mr. WILSON. No; Wilson & Co. who succeeded them.

The CHAIRMAN. I thought that was what you meant.

Mr. WILSON. Yes, sir. It was up to the packing interests to make that a success. They had taken the risk and had put their money in there, and they went out and cooperated to the fullest extent with the producers and had the support of the people of Oklahoma. It has been a difficult proposition. They have suffered a good deal with the drought out there off and on, and it has been a difficult proposition to make a success of it, and I would like to say to you gentlemen here that the net return on the investment to Wilson & Co. since their plant started out there is less than 3 per cent. Now, that will indicate to you that it is no easy proposition to start up an institution of that kind, and there is some question about it being a very profitable proposition, and that is the net result. Of course, they have done better recently than they did when they first started, but the net return for the seven years is not quite 3 per cent on their investment.

Mr. HAMILTON. What have they been getting lately? You say that the 3 per cent covers seven years.

Mr. WILSON. Yes, sir.

Mr. HAMILTON. For instance, take the last year.

Mr. WILSON. Last year, unfortunately, they lost money. That was the result, however, of the drought and their inability to get hogs. Oklahoma has been pretty hard hit with the drought and they have not had hogs to their capacity or anything like it; and I would like to say in that connection that in order to maintain this hog situation which the packers have been trying to maintain, we have shipped hogs from the East out there for slaughter in order to meet the situation which has been put upon us. We have shipped hogs from Kansas City, and we have shipped hogs from Nashville, Tenn.

Mr. HAMILTON. Why should you do that? Why should you ship hogs for slaughter out there when you could slaughter them at those places?

Mr. WILSON. We could not slaughter them anywhere else. We were slaughtering to our utmost capacity at every plant we were operating; and it was just a case of doing that and taking the losses on them in order to support this situation that the packers have been called on to support by this Government, and, of course, to keep our organization going as best we could to use the facilities we had there.

Mr. HAMILTON. You speak of hogs at Oklahoma City. It is a cattle market also.

Mr. WILSON. Yes, sir. The receipts of cattle have been pretty good. We have no complaint to make on that, and had we had hogs in keep-

ing with the cattle we would have made money there last year, but we did not have them and we did not make money.

The CHAIRMAN. Proceed with your statement, Mr. Wilson.

Mr. WILSON. Stockyards are a necessary adjunct to the packing business and it was on this account that in a great many instances stockyards were established and subsequently owned largely by packing interests. It is reasonable to assume that in the inception private capital would not be attracted to these enterprises without the necessary assurance of a reasonable return, and as that assurance rested entirely upon the success and growth of the various packing companies that it was they, and they alone, who must to a large extent assume whatever financial risk was involved.

I will qualify this further by saying that the actual ownership of yards as demonstrated in our case has no bearing upon the success of the packing industry except in so far as I have previously stated. I am convinced that efficient management under private control is more assured, and efficient management of stockyards is second only to efficiency in the packing house industry. It is through the foresight exercised in the building up and management of the packing industry applied to the stockyards business that insures the latter keeping pace in growth and efficiency with the former, and also in my judgment insures competition, as the packer's interest in stockyards would naturally influence him to purchase as much as possible of his live stock in these yards rather than go out in the country and buy direct.

Concentration of live stock as much as possible to the various stockyards unquestionably stabilizes the market on all grades of live stock, for the reason that at a central point large numbers of the various grades of live stock are assembled and are open to the buyers on that local market, as well as killing plants tributary to that market insures a healthy demand and full market prices as against a condition whereby buyers throughout the country would be dickering here and there for different lots of live stock, selecting what the individual would want and disregarding others who would be dependent on some other buyer coming along who would want that particular kind of live stock.

Under the present plan of concentrated markets, the shipper is assured of a demand for whatever kind and whatever numbers of stock he ships in. As before stated, I am convinced that there is no discrimination in the purchase—one buyer having as much access and getting as good a price as any other buyer, be he large or small. This is evidenced by the fact that right in Chicago there are a great many medium and small size killing plants whose growth within the past few years speaks for itself, and I am quite frank in saying that I believe not one of them would say he has been hampered or discriminated against in the purchase of his live stock.

I might say in this connection that I am in favor of proper Government supervision along the lines of the Bureau of Markets of the Department of Agriculture as applied to stockyards, and along the lines of the Bureau of Animal Industry as applied to packing houses. Anything beyond that, particularly as so far proposed, in my judgment would have a reactionary effect on the industry which would certainly be reflected unfavorably to the producer and the consumer.

alike, to say nothing of hampering the efficiency of the packing industry itself.

I think I am safe in saying that there is no business in the world that is operated any more economically or any more efficiently, or with a smaller return on the dollar sales as is the packing business. This result has been accomplished over a period of years, beginning when a large percentage of the animal was wasted and gradually being improved by scientific methods of utilization, manufacture, distribution, and marketing, to the extent that to-day the maximum value is extracted from each animal killed. New uses have been found for by-products formerly gone to waste. By-products have been utilized and sold in this country in competition with products manufactured from by-products in other countries. I have particular reference to various pharmaceutical preparations; manufacture to gut strings, which are used in musical instruments, tennis rackets, etc., as well as surgical ligatures. This country stands foremost in the manufacture of the latter whereas that industry was formerly monopolized by Germany.

I would like to say here just as a matter of information that our company put up and prepared and delivered to the Government seven and a half million tubes of ligatures.

Mr. MONTAGUE. Seven and a half million tubes of what.

Mr. WILSON. Tubes of ligatures. They are put up in small glass tubes, sterilized and hermetically sealed, and they are ready for the surgeon's use simply by breaking the glass; some of them are already on the needle.

Mr. MONTAGUE. What was the total cost or the total value of them?

Mr. WILSON. If I remember correctly, the price is about 7 cents apiece. I will be glad to give you that exactly later. I am not sure.

Mr. MONTAGUE. Those were for use in surgery alone?

Mr. WILSON. Yes, sir,

Mr. MONTAGUE. What about the musical instruments?

Mr. WILSON. They are music strings for musical instruments, harps, and so forth.

Mr. MONTAGUE. What is the value of that?

Mr. WILSON. I could not tell you. I will be very glad to give it to you later, but I have not the figures.

Mr. MONTAGUE. Is that a new business with you and was that business heretofore monopolized by Germany?

Mr. WILSON. A great deal of it was done by Germany. It is a fair-sized business with us, such as that kind of a business would be.

Mr. MONTAGUE. Do any of the other packers engage in this business?

Mr. WILSON. At least one of them does, Armour & Co. I do not know about the others, whether they do or not. Of course, that stuff is used also for tennis rackets—for stringing the tennis rackets.

Mr. HAMILTON. Am I right about this, just for my own information, these surgical ligatures are absorbed in the body, and the surgeons do not regard it as necessary to withdraw them?

Mr. WILSON. You are quite right about these gut ligatures. Of course, they have silk and wire ones for external work which are removed, and these can also be used externally, and be removed, al-

though it is not necessary to do so. They are used internally as well as externally.

Where I referred to the percentage of profits of the packing business on their turnover, I want to cite to you gentlemen a few instances of the percentage of profit by other industries on their turnover.

For 1915-16, the Ford Motor Co. had a profit of 30 per cent on their turnover; 1917, the Ajax Rubber Co., 14 per cent.

Mr. HAMILTON. How many times did it turn over for the Ford industry, or do you know?

Mr. WILSON. I do not know, but I should think pretty fast. They are turning out two a minute now, I think they say.

In 1917, American Tobacco Co., 17 per cent; the Baldwin Locomotive Works, 12 per cent; the Chevrolet Motor Co., 11 per cent; Cluett, Peabody & Co., 13 per cent.

Mr. HAMILTON. Thirteen per cent on the turnover?

Mr. WILSON. Yes, sir; for 1917.

E. I. du Pont, 26 per cent; Jewel Tea Co., 12 per cent; S. H. Kresge Co., 9 per cent. These are all 1917. Proctor & Gamble, 5½ per cent.

Mr. MONTAGUE. What do they do?

Mr. WILSON. They are soap manufacturers and they are also very large manufacturers of lard compound which has been designated as a substitute for lard. They are very large manufacturers of it, and, of course, on that end of the business are competitors of the packers as they are, also, in the soap business, with some of the packers. United Drug Co., 8 per cent; Westinghouse Electric Co., 21 per cent; F. W. Woolworth Co., 10 per cent. That is, the 5 and 10 cent stores.

While I have not the figures of Wilson & Co. for the entire year, they will be approximately 2 per cent. I would like to note that here, that our figures when they are completed will show not to exceed 2.06 per cent.

Mr. MONTAGUE. Is the turnover of the du Pont Co. more frequent than the turnover of your company?

Mr. WILSON. I could not answer that. I am not familiar with their business, and it would be a pure guess on my part.

Mr. MONTAGUE. You gave that as 26 per cent, I believe.

Mr. WILSON. Yes, sir.

Mr. MONTAGUE. And you also gave another one.

Mr. WILSON. Yes, sir; the Ford Motor Co., 30 per cent.

Mr. MONTAGUE. But you do not know the frequency of its turnover?

Mr. WILSON. No, sir.

Mr. MONTAGUE. That would be a very determining factor, I imagine.

Mr. WILSON. It certainly would.

The CHAIRMAN. I am afraid we will have all those gentlemen down here wanting to explain that.

Mr. WILSON. I think an explanation might be helpful on the entire situation.

The CHAIRMAN. I do not mean that as an objection.

Mr. WILSON. No; and I do not know but what they could justify every one of them. I am not saying they are too much or too little.

Mr. HAMILTON. Inasmuch as the subject of salaries has been brought into this investigation, while it does not strike me as of the utmost importance, although it is of importance, can you from recollection state the salaries of the presidents of some of those organizations?

Mr. WILSON. Well, if I did, it would be hearsay or newspaper stuff. I have heard it said that Mr. Schwab, for instance, drew a million dollars a year. I do not know whether that is true or not.

Mr. HAMILTON. Well, run along down the line there, because that is interesting. It is a rosy dream to some of use and pleasant to contemplate.

Mr. WILSON. It has been a great pleasure to me, sir, not only because of the salary, but because of the recognition. It is not entirely the salary.

Mr. HAMILTON. It involves recognition, undoubtedly.

Mr. WILSON. Yes, sir. Mr. Lightfoot has suggested that Mr. Ford's son gets \$150,000 a year. I do not know about that. I know of one instance, and that was an instance where a Mr. Balfe, of the Austin-Nichols Grocery Co., in New York, went out and hired one of the leading bankers in New York and paid him \$100,000 a year to come into his business. He was not a man who had any particular experience in that business. He was a sound financial fellow and a capable fellow. There is no question about that. He went out and hired him and paid him \$100,000, and I think if Mr. Balfe was here he would tell you that he made a good investment when he did it. Through the efforts of Mr. Balfe, they turned the tide of that business and developed it to what it is to-day—the largest wholesale grocery business in America.

Mr. HAMILTON. I suppose it would be contended that a genius being employed in the development of a business, the consumer in the end would receive some benefit from it, provided the product was sold at reasonable figures.

Mr. WILSON. I do not think the consumer, sir, gets any disadvantage from it. I think the net result is a benefit to the consumer.

Mr. HAMILTON. Of course, to the man out behind the plow on a 40-acre farm, this seems wealth beyond the dreams of avarice.

Mr. WILSON. Yes; but that man behind the plow on that 40-acre field—

Mr. HAMILTON (interposing). And I may say that to the average Congressman it seems so.

Mr. WILSON. Now, just let us apply that.

The CHAIRMAN. Let us try not to interrupt or branch off into other discussions.

Mr. WILSON. I would just like to clear that up, now that the question has been raised, because it is an interesting one.

Mr. HAMILTON. I was just wondering what the effect might be directly or indirectly.

Mr. WILSON. Now, let us take the plowman who follows the plow at \$40 a month. Suppose he is employed by a man who has 500 acres. Suppose that man goes out and employs a first-class farmer, a high-grade, intelligent farmer, and that man costs him more than the average superintendent of a farm, and suppose he pays him a good, big, round salary, and as a result of that, that farm produces

more stuff. It is producing more economically. Now, the owner of that farm is benefited, and that fellow who is following that plow for \$40 a month in all likelihood is benefited because he is more liable to get an increase over his \$40 if he is working for a successful outfit; but let us assume that the purpose of hiring that high-priced man was to bring up the output of that farm. Now that does not affect the consumer a particle. If it is cotton he is raising, the fact that he has reduced the cost of the production of that cotton does not affect the cotton market, particularly, does it? What he would furnish off his 500 acres does not add to the price. I mean by that, he does not add the extra labor or that man's salary on to his price for his cotton, because he could not get it if he did.

Mr. HAMILTON. It does not affect the price except as the law of supply and demand might be operative, in this, that the output from the farm might be increased by reason of the talent of the man employed; that is, the output of the plantation, and that would be to the advantage of the consumer.

Mr. WILSON. The tendency would naturally be, if the efficiency is greater, to reduce the cost of production, and the man would be more susceptible or more liable to take a lower price if it costs him less to produce it than if it costs him a good deal more to produce it.

The CHAIRMAN. We are now getting into an argument.

Mr. HAMILTON. That question is involved here.

The CHAIRMAN. We will bring Mr. Schwab here if we want to know something about these high salaries.

Mr. WINSLOW. Mr. Chairman, I would like to ask a question now, if I may.

Mr. Wilson, if one would bear in mind the appointment made of men to conduct great departments of Government during this period of the war, say, the great War Trade Board, the Coal Administration, the Airplane Division, and so on, would it not seem that the talents of men were recognized more highly if they had never had anything to do with the work they were to undertake than if they had? I am putting that as a hypothetical question.

Mr. HAMILTON. Well, it is not exactly hypothetical.

Mr. WINSLOW. Well, I will make it so, so as not to offend the administration, which is a crime.

Mr. WILSON. Well, I do not know. I am a pretty good Republican—

Mr. WINSLOW. I would have known that without inquiry.

Mr. WILSON. And I would rather not be put in the attitude of criticizing the Government.

Mr. WINSLOW. No; I do not want criticism. I want your best consideration.

Mr. WILSON. I do not think it is hardly fair to treat that as a general proposition. I think there are many cases where it would pay the Government to go out and hire the greatest expert in the country in a particular line, and I believe that when they got Mr. Schwab on the shipping end of the business, that the returns from that must have been magnificent, because I think his brains and intelligence must have made an impression upon that work. I am just talking generally now because I do not know.

Mr. HAMILTON. I am afraid we got him a little bit too late.

Mr. WILSON. Possibly so; that is unfortunate.

The CHAIRMAN. Now, we have gotten entirely off the object of inquiry. I do not question any man's motives, but you can see the political——

Mr. HAMILTON. It is not a matter of motives at all. It is a matter of information, and it is a matter that should be of benefit to you.

The CHAIRMAN. The question of salaries and figuring how much they get and all that, I suppose, of course, is reflected in the industry—I do not know whether it is or not—but let us get through with the facts and then argue it afterwards. Mr. Wilson has not finished his preliminary statement.

Mr. WILSON. I am very glad to follow your suggestion and I would like to come back to the salary question.

Mr. HAMILTON. I think we will give you an opportunity to do so before you get through.

Mr. DOREMUS. Mr. Chairman, in order that we may connect this up later, I would like to ask the stenographer to repeat the question asked by Mr. Winslow.

(The stenographer read as follows:)

Mr. WINSLOW. Mr. Chairman, I would like to ask a question now, if I may.

Mr. WILSON. If one would bear in mind the appointment made of men to conduct great departments of Government during this period of war, say, the great War Trade Board, the Coal Administration, the Airplane Division, and so on, would it not seem that the talents of men were recognized more highly if they had never had anything to do with the work they were to undertake than if they had. I am putting that as a hypothetical question.

The CHAIRMAN. Proceed with your statement, Mr. Wilson.

Mr. WILSON. All these things, as I have previously stated, have been reflected in the value of the animal to the producer, as is clearly evidenced by the upward trend of prices for a great many years back. This has been augmented also largely by the modern methods of distribution, enabling all sections of the country, both rural and urban, as well as the larger cities, to purchase fresh beef and other meat products as satisfactorily in one section of the country as another. This could not have been accomplished without branch houses which are equipped with refrigerators and managed by a competent force, stimulated in their efforts not only by active competition with the branch houses of other concerns, but by the fact that they are responsible for results to one central headquarters.

In this connection, I would like to dwell briefly on the question of private refrigerator cars. It has been previously stated, and rightfully so, that in the inception the railroads did not have refrigerator-car equipment, nor would they furnish the same; therefore the packer, in order to facilitate his business and allow him to grow, expand, and carry out economic plans for manufacture and distribution, acquired his own refrigerator cars. This equipment has grown with the business until to-day all packers with a large distribution own a substantial part of their refrigerator-car equipment. A great deal has been said as to the advantage accruing to the owners of these cars as against the packer not owning cars. I wish to say in this connection that the packer owning cars has no advantage that he is not entitled to. I mean by this that all he gets out of the proposition is a better assurance of having sufficient refrigerator cars for his shipments as against what he would have if all the cars were owned by the railroads, or if the cars were put in one pool,

and no one will claim that a shipper is not entitled to all the cars that he needs to ship his product. If there are not enough cars to go around, is it fair to take our cars when we only have about 60 per cent of what we require, and give them to our competitor? Would it not be more equitable for the railroads to equip themselves with a supply of refrigerator cars and be in a position to make up for the cars that we are short, as well as furnish any other shipper what he is short of, or, if need be, his entire supply?

The operation of refrigerator cars by the packer is an important link in the proper operation of the business as an entirety. Is it not reasonable that if the business is to be operated efficiently that a sufficient and proper supply of cars be furnished regularly? This has to a large extent been insured in the past and is to-day by the ownership of these cars, as under these conditions the packer sees to it that his cars are kept in the highest state of efficiency, regardless of expense, and that they are kept sanitary. He can well afford to look after his cars and keep them in the best repair, knowing that he will get these same cars back to load over again. It is reasonable that a similar condition would not exist if we loaded out 100 cars to-day, not knowing if we will get these same cars back again, having to depend upon one general organization, or the railroads themselves, to look after the equipment? I am sure that the same result would not be accomplished, as the railroads or any general organization not being familiar with the peculiar requirements of the products going into the cars would naturally not be able to give them the attention they are given to-day.

A great deal has been said as to the result of private cars owned by some concerns as against the result accomplished by the large packer in the way of returned empties and movement of loads. In this connection I will simply point out that when railroads are able to take solid trainloads of product, as they do from the larger centers, transport them in almost continuous trainloads to large eastern markets, and when the cars are made empty bring them back in solid trainloads, is it not reasonable that such service would be better than an isolated car, or a few cars, shipped to small communities and returned from these smaller communities on trains where there is not sufficient other business to make up a full train of that one commodity. The remedy, it seems to me, is that the railroads, themselves or through the Railroad Administration, should build a sufficient number of refrigerator cars to make up the shortage now existing—these cars to be used in conjunction with private cars and to supply packers and other shippers who do not own cars. To take our cars away from us would only result in one of two things, namely, restricting and hampering our business by not being able to give us all the cars we are entitled to, or give us the cars we are entitled to, which would be no more than what we are getting now. In fact, we are not getting all the cars we need, as, especially in the winter time, we continually go short. As I have previously stated, for the year 1917 we loaded about 26 per cent of our shipments in other than our own cars, and in 1918 about 31 per cent.

I would like here to bring your attention, gentlemen, to the situation that existed last year. I acted as chairman of the packers' committee in the matters before the Food Administration, and one Wednesday afternoon in last February, nearly a year ago—you all

will remember the awful condition of the country resulting from the snowstorm and cold weather—on that Wednesday afternoon Mr. Cotton, of the Food Administration, got me on the long-distance telephone, and notified me that starting the next Monday and for the two weeks after that he required the packers to ship 149,400,000 pounds of meats for our allies. They had had some urgency orders from the other side, and it had been stated that we were facing a great calamity over there unless these meats were gotten over immediately, and he demanded that we be prepared, starting the following Monday—mind you, gentlemen, this was on Wednesday—that we be prepared to ship in the next two weeks 149,000,000 pounds of meats which required cars, and we had no opportunity then to go out and pick them up. We had to know pretty nearly where they could be gotten, and I say to you that under those conditions nothing short of the independent handling by each packer of his own equipment would have made that possible, and the feat was accomplished and the meats were shipped.

Mr. HAMILTON. How did you manage to go out and get this stock? You could not get it on the market, as I understand you.

Mr. WILSON. It was mostly pork products, and that which was not pork products was beef products in the freezer—frozen products.

Mr. HAMILTON. You were drawing on meat you had on hand then.

Mr. WILSON. Yes, sir; and that is a tremendous quantity of stuff to undertake to put out in so short a time. That took over 1,500 carloads of stuff the first week, and nearly 2,000 carloads of meat the second week.

The CHAIRMAN. Proceed with your statement, Mr. Wilson.

Mr. WILSON. Wilson & Co. own no icing stations and we have yet to find where our business is handicapped by lack of this ownership. We have various inspectors out through the country to see that our cars are properly iced.

Wilson & Co. do not own or control any refrigerator or other storage other than what is in connection with the various packing plants. In other words, we do not own any public cold storage or public storage of any kind.

In regard to branch houses, I touched on this briefly before. These facilities are as vital to the proper and successful conduct of the packing business as the packing houses themselves, and as I have endeavored to point out, the high state of efficiency under which the packing business is conducted is reflected in the increased value of live stock to the producer, so that condition would be affected adversely if the methods of distribution through the various branch houses were interfered with. These branch houses located in various parts of the country are equipped with facilities for storing usually not to exceed one week's requirements of beef and other products. Such an organization consists of manager, salesmen, bookkeepers, delivery facilities, etc., whose duty it is to serve the retail business of the community. It is natural that this business will be more or less regular, enabling the branch houses to furnish the various main packing plants with regular orders for all kinds of product.

Through the facilities offered by branch houses the various retailers in the different communities have opportunity to make selections, buy what they want and get it delivered to them daily, if re-

quired, in first-class condition, and at less cost than would not be possible through any other medium.

Many of these branches are really manufacturing plants as well as distributing branch houses and are equipped for manufacturing sausage, smoked meats, boiling hams, etc. The proper operation of a modern branch house is highly technical and requires years to educate and develop men to operate and manage these branches.

I am of the opinion that Government-owned branch houses and warehouses would not prove a success, primarily for the reason that the management of such Government-owned branch houses or cold storage warehouses would not, and could not, be expected to take that vital owner's interest in products which would be shipped to them for the smaller packers and that the returns made to the smaller packer on his consignments would not be satisfactory to the smaller packer and he could therefore not afford to patronize such branches or cold storage warehouses.

It must be borne in mind that the demand for packing-house products is very sensitive to changes of any character. A holiday will cause a very perceptible falling off in the demand. Rainy weather in New England may cut the demand as much as 25 per cent. Extreme hot or cold spells reduce demand. Fresh meats are highly perishable. The packer has to take all conditions of this kind into consideration. If the demand falls off in New England he must divert shipments elsewhere, otherwise the New England markets would be overstocked, causing tremendous losses and the possibility of being unable to sell at any price while the meat is in good condition. Only by maintaining the large force of highly trained men who have gained their experience through long years of service can the large packer merchandise his product properly. If Government warehouses or branch houses were established shipments would be made regardless of conditions. Some markets would be overstocked and losses taken which a smaller packer could not stand. Other markets might not have an adequate supply.

In addition to this method of distribution there are the jobbing or route cars, sometimes known as "peddler" cars. This system of distribution is likewise essential and is as important to the consumer and producer of live stock as to the packer. There are a great many small communities which do not have branch-house facilities, the local dealer depending upon daily or triweekly shipments, as the case may be, in less than carloads. A great deal of the product being of a perishable nature, it requires refrigerator cars. The system under which this branch of the business is handled comprises a force of salesmen throughout the country, who take orders for whatever the requirement of the local dealer is along a certain territory. We will say, between Chicago and Louisville. These orders are sent in consolidated into one or more carloads, all of which I wish to impress upon you is billed at the less-than-carload freight rate, the packer loading the cars himself, which is a service theoretically the railroads should perform, as it is well known they are supposed to load and unload less-than-carload or local freight. These cars are placed on local freight or merchandise trains, and when the trains arrive at the different stations the products marked and billed for these different stations are unloaded on the platform, the same as any other local merchandise, whether it be hardware, dry goods, or anything else.

There is not advantage of a discriminatory nature in the operation of these route cars as against a man who has 50 pounds of meat to ship and takes it to the station where they have refrigerator cars (and most of them do); the only difference being that in the latter case the railroad company ices the car and loads freight in the car, whereas the packer, on account of his volume, ices the cars at his expense, and loads them at his expense, and all he asks is the less-than-carload way-freight service, for which he pays the less-than-carload tariff rate, the same as any other shipper.

The Federal Trade Commission attaches great significance to a table prepared by it undertaking to show that the percentage of live stock purchased by the various packers remains practically the same year in and year out, undertaking to confirm their conclusion by certain letters and memoranda taken from the packers' files in reference to live-stock buying, ridiculing the plant or capacity theory as set forth in some previous explanations by some of the packers.

I do not think it has been denied that the packers operate their business with the maximum efficiency, keeping abreast the times and carrying out extensions and improvements in the business as fast as the trade warrants.

I would like, gentlemen, in that connection, at this time, to call your attention to the Federal Trade report, page 57, where they have a chart on one side, and then they undertake to show how uniform the percentages of the purchases are, and I want to call your attention particularly to the figures on page 57, as to the purchases of hogs by Wilson & Co. They show that in 1913 we had a percentage of 7.72, and in 1917 8.90, a difference of 1.24. They give here the total number of hogs, so it is easy to figure out what that amounts to. That difference in percentage on our kill alone amounts to 203,000 hogs. Now, that is a lot of hogs. They say these percentages run uniform year in and year out, but that difference there between 1913 and 1917 in the percentage alone amounts to 203,000 hogs.

Mr. ESCH. Armour dropped more than that on sheep.

Mr. WILSON. There are plenty of differences but I simply call attention to my own case. You take the case of sheep with Armour, it would not be more, would it? You see the total number is so few compared with the hogs.

Mr. ESCH. Well, that might be.

Mr. WILSON. That would amount to 98,000 sheep according to these figures. I want to call your attention also to the figures on the Chicago market alone. On the same theory, taking 1917 and 1918, on the Chicago market on cattle, Wilson & Co.'s figures show an increase of 0.56 per cent. Ordinarily, a man would pass that by and say, "Well, that is the same. There is not enough difference there to amount to anything," but that amounted to 19,641 cattle for Wilson & Co. Taking the same period, that is, the entire year of 1918, as compared with 1917, on hogs, our percentage as they have the figures here, shows an increase of 0.63, and that amounts to 50,948 hogs.

Mr. RAYBURN. On the Chicago market?

Mr. WILSON. On the Chicago market alone; that is, substantially 1,000 hogs a week in the Chicago market. Those percentages look small, but when you take them as against this tremendous total, they are not small at all, but represent large numbers.

Mr. HAMILTON. For my information, what is your method of ascertaining the number of head of hogs from your percentage there of 0.63?

Mr. WILSON. The total number?

Mr. HAMILTON. You ascertain that to be 50,948?

Mr. WILSON. Yes.

Mr. HAMILTON. That is, you deduce from this percentage a certain number of hogs—I have not the figures before me.

Mr. WILSON. We take the total receipts in the Chicago market and take that percentage of the total receipts.

It must be conceded that Wilson & Co., for example, is not only operating to maximum average capacity, but is increasing its manufacturing and distributing facilities, and, I think, it is fair to assume that all of the larger packers, and, I think, most of the smaller ones as well, are doing likewise. It is therefore reasonable to assume that whatever variation might exist in the percentage of live stock purchased by Wilson & Co. might exist among the others, particularly our principal competitors, and whatever the percentage of live stock purchased by Wilson & Co. figures out, it represents all the business we are able to secure in the meat line through our various channels, such as branch houses, car routes, export shipments, etc.

We have no use for any more live stock than to supply this demand, and good business management would be satisfied with no less.

The barometer of our business is our branch houses which at various locations throughout the country daily reflect the law of supply and demand. We only ship to branch houses what they can dispose of promptly. We buy no more than what we think they can dispose of, plus what we have orders in hand for export. It is, therefore, very clear to me, and I believe equally so to any unbiased business man who will analyze the situation, that there is nothing unusual in a more or less uniformity in the purchase of live stock among the principal packers of the country.

I will give an illustration of what I consider a very significant situation, showing that the markets are open to every buyer and that the conduct of the packing business in general does not in any way restrict or prevent the smaller packers from not only getting their supply but increasing their business very materially.

For example, during the year 1910 the smaller packers in Chicago slaughtered 1,302,200 hogs, which represented 23.31 per cent of the total receipts of that market. This number has gradually increased each year, until in the year 1915 they slaughtered 2,657,400 head, or an increase in five years of 104.7 per cent. In the year 1915 these small packers slaughtered 3,334,639 head, representing an increase of 156.07 per cent over 1910, showing, I believe conclusively, that the charges of the commission that the five packers control and dominate the market and destroy competition are unfounded and without facts to support them. During this same period the five larger packers in the year 1910 slaughtered 3,301,100 hogs. In 1911 the receipts at the Chicago market increased 25.63 per cent, but the slaughter of the five larger packers only increased 22.12 per cent. In 1916 the receipts increased 52.12 per cent over 1910, yet the five larger packers increased their slaughter only 29.27 per cent. In 1916 the receipts increased 52.12 per cent over 1910, yet the

percentage of increase in slaughter by the five larger packers was only 44.98 per cent. In other words, the five larger packers slaughtered 1,485,800 more hogs at the Chicago plants in 1916 than they slaughtered in 1910, and the smaller packers during the same year slaughtered 2,302,439 hogs more than they slaughtered in 1910.

I am giving these statistics as, I think, coupled with the situation as I have outlined, they effectively controvert the accusations made by the Federal Trade Commission. I think those figures are very significant along that line.

I might say further in reference to data and statistics found by the Federal Trade Commission in our files, as well as the files of the other packers, that it is a perfectly natural condition, and I think no successful business man will dispute that it is one of the requisites necessary to good business to keep informed as much as possible on what your competitors are doing, especially so when the information in question is so easily obtained, and is, as a matter of fact, public property. For instance, the purchases of the different packers is a matter of published record in the live-stock papers at the different markets. The Bureau of Markets through the Department of Agriculture issues periodical statements showing receipts, number of head slaughtered, product on hand, etc.

Early in the year 1917, after reviewing our 1916 statement, I saw the necessity of getting additional lines of merchandise for our branch houses and for our car routes to sell.

The high expense of operating was causing losses at our different branch houses, and I decided that by giving the branches increased tonnage or volume we naturally would absorb a part or all of these losses, so we embarked into the specialty canned food and preserve and condiment business.

The extent of this specialty business is less than 4 per cent of our business done for 1918. Our business has not grown and will not to the detriment of the up-to-date progressive wholesale grocer. The only wholesale grocer or jobber that will be affected will be the one whose business has been conducted along lines that are economically wrong, who has been content to do business with the retail grocer by extending datings or credit of six months or a year, charging exorbitant prices, doing a small volume of business, and all of this at the expense of the consumer.

In this connection I recently had the pleasure of meeting the president of the largest wholesale grocery in America, that is, the gentleman I referred to a few minutes ago, Mr. Balfe, the president of the Austin-Nichols Co., and he frankly stated to me that he welcomed us into the canned goods and specialty field, for the simple reason that it would cause a keen and alert competition, thereby forcing an economic condition that would assure not only his prosperity, but the prosperity of all the up-to-date grocers in the country; we are not now wholesale grocers, neither do we intend becoming wholesale grocers. Our lines will be limited to the commodities that our branch houses can handle with their present facilities without interfering with fresh meats and provisions, which is and always will be the basis of our business.

The Federal Trade Commission have stated that from the present tendency of the packers to extend their lines into new fields such as

canned goods, etc., that the wholesale grocer would disappear as an independently operated business in five or six years, and that the retail grocer as an independently operated concern was due to disappear in 10 or 12 years. To substantiate this, they have given a hearsay authority without quoting his name an executive of a large chain store. I desire here and now, so far as we are concerned, to refute this statement.

The commission tells you of the inroads that are being made upon the wholesale grocery business by the packers, but for some reason they failed to give you the volume of business done by the wholesale grocers of the United States and the volume of business done in specialty lines by packers in comparison. Neither have they given you any figures on their relative percentages nor their profit. I am sure that you will find that the wholesale grocery business has kept pace with the prosperous conditions of our country.

The commission has reported to you numerous items that the packers are now selling, but they failed to enumerate the different lines that the wholesale grocers are now selling. They say nothing about the wholesale grocer being a purveyor of woodenware, tinware, drugs, automobile tires, bicycles, ship-chandler supplies, drug sundries, dry goods and hardware sundries, produce, fresh fruits, salt meats, provisions, etc., lines that they have taken on one after another which they felt that the market conditions of their community would permit them to sell at a profit.

The Federal Trade Commission in June, 1918, gave a report to the President on the canning industry. This report will give you a history of this industry, and will indicate to you the reasons why we were obliged to enter these fields.

With a decided purpose of selling canned food commodities and on account of the methods employed by the small canners throughout the country of making short deliveries, etc., to sustain our standing and to avoid injury to the sale of our meat and provision lines, we had to have the assurance that when we sold canned goods to the retail grocer we would be able to deliver same, which, therefore, is one reason we engaged in the canning of corn and peas and salmon—three of the staple commodities in canned goods.

Now, I would like at this point to refer to the efforts of my concern in building up a brand known as the "Certified Brand" of canned meats and fruits and vegetables, which our company put out, and on which we have put a guarantee to refund to the consumer the full amount of his purchase if he is not satisfied—leaving it entirely to him if he is not satisfied that it is of the highest quality and represented, and for that reason we could not afford to take chances on the quality of the goods that would go out under that label.

During this past year the pack of peas from our different factories was 3 1/2 per cent of the total amount of peas packed in the country.

Our pack of corn was 2 3/4 per cent of the total pack of corn throughout the United States.

Our pack of salmon was about 1 1/2 per cent of the total salmon pack of American-controlled factories; so, then, from these figures that I have presented, you can ascertain that our advent into the canning industry for the purpose of backing our own sales organization is not as the commission would have you believe, and when properly considered our procedure in these lines is to be looked upon

with favor, as our methods of handling our factories will to a great extent bring about a new condition of affairs by other canners, our purpose being to operate on a fair profit and give full deliveries and full satisfaction.

That, gentlemen, with the exception of referring a little further to some matters which I have not fully covered in my statement, concludes my statement.

The CHAIRMAN. It is now nearly 1 o'clock, and we will take a recess until 2 o'clock.

(The committee thereupon took a recess until 2 o'clock p. m.)

The CHAIRMAN. The committee will come to order. While there are not many members present as yet, it is now 2.15 p. m. and we must proceed; and I am sure they will be here within a short time. Mr. Wilson, I think there was something that you wanted to refer to before we began interrogating you?

Mr. WILSON. Yes, sir; there was. I was on the question of canned goods, and I wanted to refer to this report of the Federal Trade Commission, which was for release in morning papers of Wednesday, June 5, 1918, and which, I think, accompanied the report to the President.

There are just two or three short paragraphs I would like to read. One is that "The rise in the prices of canned goods during the years 1916 and 1917 was found to be no greater than the rise that obtained generally in food-price schedules."

Another is: "Unlimited trading in futures; lack of credit facilities, making necessary the resort to futures by small manufacturers; the absence of a standardized delivery contract; unrestricted reselling; improper labeling of products, and lack of standardization of grades."

These are paragraphs included in the statement of inequities existing in the canning industry as at present conducted.

On page 4 he says:

Canners averaged 9 per cent profit on investments in 1916 and 32 per cent in 1917.

He says, on page 5:

DISADVANTAGES OF FUTURE SALES.

Where short deliveries followed bad crops or the dishonesty of packers, the scramble of jobbers in the spot market at the end of the canning season led to unduly high prices. This condition was due largely to wholesale grocers, who had sold futures and had to fill the orders. The high prices gave profit to dishonest packers, to those who had unusually large packs, and to wholesale grocers who had overbought. Future selling in time of rapidly rising prices has been found to benefit chiefly the unworthy and penalize the honest packer, small wholesale grocer, and consumer.

(The word "packer" in the quoted paragraphs refers to canning packers.)

I simply cite these as one of the reasons why Wilson & Co. went into this line of business; that is, in canning. We were handling as jobbers a lot of these products, and, as I stated before lunch, we are putting out a brand that we are standing back of, and that we are insisting shall be 100 per cent right, and we are guaranteeing that to the purchaser. We can not afford to have our salesmen going out and selling canned meats, smoked meats, and other meats; and selling

canned vegetables, or canned salmon put up under these conditions: and that, plus the fact that our competitors in the meat-packing industry—a number of them at least—were in this line and we were at a disadvantage not being in it. I do not mean particularly the canning of vegetables and of fish but the selling of them. We were at a disadvantage in not having a full line to offer to our customers.

You will appreciate that the modern grocery, or the modern butcher shop, to-day carries groceries and meats, and he handles fresh meats, smoked meats, canned meats, canned vegetables, butter, eggs, and everything else. Our men could not go with just a meat line or they would be at a disadvantage in competing with Armour & Co., Swift & Co., or any other company who might be handling the fuller line. And that, on top of the economic proposition involved, induced us to go into that line; and the further fact as stated here is responsible for our action, because we wanted to protect that certified brand of ours so that we could stand back of it as we stand on our label.

I think, Mr. Chairman and gentlemen of the committee, that covers all I had to say. Of course, there are a great many subjects here that I might talk on for a considerable time, but I know that they have been covered by other people. So if there is anything that you would like to ask me, or any further information that I have which you would like to have I will be delighted to give it to you.

The CHAIRMAN. Anything that you may not have included in what you have said up to the present time and that you would like to go into your hearing you may add when you go over your statement even without having presented it here.

Of course the members of the committee want to ask you some questions.

Mr. WILSON. I thank you for the opportunity afforded me to appear here and make a statement.

The CHAIRMAN. Inasmuch as several members of the committee have not yet come in I will begin myself.

Mr. Wilson, you referred in the first part of your statement, or used the words, "helpful regulations." What do you mean by helpful regulations from a governmental standpoint?

Mr. WILSON. My idea of that is more in the nature of cooperation than anything else. I think we have had a great deal of it in the past from certain departments of the Government. I think we have had it somewhat from the Bureau of Animal Industry, Department of Agriculture, who are now supervising the actual work at the packing plants. And then I think we have had a lot of help from the Department of Agriculture in many ways. I think in the field of production they have cooperated, and so have we, to increase production. Take, for instance, the State of Oklahoma, in which I am very much interested; I think I can say that mostly through our efforts, we got the State of Oklahoma, that is, the officials of Oklahoma, to cooperate with the Department of Agriculture of the Federal Government to have work done in tick eradication. They were far apart, and we interested ourselves in that proposition, and got them to cooperating, and as a result they are rapidly cleaning up the State. That is a benefit to us, because it enables the producer to produce more stuff.

and better stuff; and it is of great benefit to the producer in many ways. My idea is along these lines.

The CHAIRMAN. You did not have in your mind regulations confined alone to the packing industry, but regulations that might affect State regulations on kindred subjects, particularly as you have mentioned, tick eradication, and thereby indirectly benefit the packing industry while benefiting the people at large. You had that in mind?

Mr. WILSON. I think probably I would go further than that. My mind runs pretty much along the line of cooperation. I am a great believer in it. I have been an advocate of that for some time. I have advocated it to the producers. I have gone before them, and encouraged cooperation between producers and packers. I did that when I first took up this new business. I went out and went before a committee of Texas cattle raisers, of the Texas Cattle Raisers' Association, and at that time advocated cooperation.

Now, Mr. Chairman, that is the trend that my mind is running in. I am for working these things out on a mutual basis, an equitable basis, having due regard for the rights and interests of the producer and of the consumer. And I believe if the Department of Agriculture is properly supported by Congress that 95 per cent of the defects that exist to-day may ultimately be eliminated. That is my belief.

The CHAIRMAN. Well, with reference to the railroad question, which I am not going to ask you about but it has very often been referred to, both by Government officials and railway officials, as well as by the general public; as to helpful regulations, they have always thought that meant restrictions?

Mr. WILSON. Yes, but—

The CHAIRMAN (interposing). And in the very nature of things when you speak of helpful restrictions and helpful regulation of a public utility you mean the same thing, but I do not know whether you had that idea in mind or not?

Mr. WILSON. My mind runs more along the lines of supervision at this time. I think the legislation that we now have is ample for all the ailments of this industry. That is my opinion. I think the trouble that is presented to you gentlemen is built up of ancient things that have been cured, at least in my estimation. In other words, there are laws now that are sufficient if they are carried out, and I think they are carried out; they are sufficient to cure the big end of the defects that exist. One that I have in mind is the work of the Interstate Commerce Commission. I think there were conditions existing prior to that time that were very objectionable, both from the small packers' viewpoint and from the large packers' viewpoint, I am referring way back to the time when rebates, and so forth, existed. They seemed popular at that time, but looking back upon them from our present viewpoint they were bad and wrong, and they have been eliminated. That condition, and the private car proposition, have been remedied by the Interstate Commerce Commission to a very great extent.

The CHAIRMAN. Of course the Interstate Commerce Commission can not do anything that it is not authorized by law to do?

Mr. WILSON. No.

The CHAIRMAN. And the law placed restrictive legislation on that?

Mr. WILSON. Yes, sir.

The CHAIRMAN. The Interstate Commerce Commission carried out, or simply tried to carry out from its viewpoint, the general purpose of the law in exercising its authority?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And it seems to me that in the very nature of things regulation means restriction while supervision and cooperation might mean a very different thing. I have not been able yet to see how restriction can be helpful from the standpoint of restricting activities, unless a man will admit that he has been aiming to do something or is doing something that he ought not to do; that he has been prevented from doing something he would otherwise be doing. I do not know whether you had that in mind or not?

Mr. WILSON. No, sir; I did not.

The CHAIRMAN. I will drop that then. You referred to a matter and I simply want your definition: Does Wilson & Co. have a stock issue of its own, or did it simply succeed to Sulzberger & Sons Co.'s stock?

Mr. WILSON. It simply succeeded to Sulzberger & Sons stock.

The CHAIRMAN. There is no difference?

Mr. WILSON. Yes; we changed the name and reissued the stock.

The CHAIRMAN. It is still in the same name?

Mr. WILSON. No, sir. There is still some of the Sulzberger stock outstanding, but we have reissued the most of it. There is no change in the stock.

The CHAIRMAN. You take in a share of Sulzberger stock and reissue a share of Wilson & Co. stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. What is the amount of the stock?

Mr. WILSON. \$20,000,000 common and \$10,474,000 preferred.

The CHAIRMAN. The preferred is also Sulzberger stock just like the common?

Mr. WILSON. Yes, sir.

The CHAIRMAN. The par value of both the common and the preferred stock is \$100 a share?

Mr. WILSON. Yes, sir. Well, no; I beg pardon. The common stock is now without par value. We changed that about six months ago. The par value was formerly \$100 a share, but now it has no par value.

The CHAIRMAN. As Sulzberger & Sons Co. stock it had a par value?

Mr. WILSON. Yes, sir; it had then, and as Wilson & Co. stock it had a par value until six months ago, when we changed it.

The CHAIRMAN. That has been changed since they changed the name?

Mr. WILSON. Yes, sir.

The CHAIRMAN. The preferred stock, of course, continues to have its par value?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Does the preferred stock carry any voting power with it?

Mr. WILSON. No, sir.

The CHAIRMAN. What is the dividend authorized to be paid on the preferred stock?

Mr. WILSON. Seven per cent.

The CHAIRMAN. Payable semi-annually?

Mr. WILSON. Payable quarterly.

The CHAIRMAN. Is that preferred stock generally owned throughout the country, like your common stock?

Mr. WILSON. Yes, sir; fairly well scattered around.

Mr. CHAIRMAN. You began your statement by speaking of the bankers who financed the corporation. I suppose you thought what you said would be generally understood, and while I do surmise your meaning, I would like to have you explain what you meant by the bankers' action; that is, when Sulzbergers were still in charge, did you mean?

Mr. WILSON. Yes, sir.

The CHAIRMAN. How were the bankers interested in the Sulzberger & Sons Co.?

Mr. WILSON. The Sulzberger people went to the bankers prior to the due date on the \$8,000,000 debenture bonds and made an arrangement with the bankers whereby they would provide for the reissue of that \$8,000,000 debenture bonds. And in that trade they gave the bankers, that is, those four institutions, a certain quantity of the common stock of Sulzberger & Sons Co. That is the way the bankers came in.

The CHAIRMAN. Well, now, is there an outstanding bonded indebtedness to-day of Wilson & Co.?

Mr. WILSON. There is. There are 6 per cent first mortgage bonds of Wilson & Co., amounting to \$20,000,000.

The CHAIRMAN. \$20,000,000 6 per cent first mortgage bonds?

Mr. WILSON. Yes, sir; and then there are debenture bonds amounting to \$20,000,000, recently issued, about two months ago.

The CHAIRMAN. There are \$30,000,000 of bonds?

Mr. WILSON. No; \$40,000,000.

The CHAIRMAN. Yes; I did not understand you. There is a bonded indebtedness of \$40,000,000 outstanding in the name of Wilson & Co.?

Mr. WILSON. Yes, sir; one is 6 per cent first mortgage bonds and the other is 6 per cent debenture bonds.

The CHAIRMAN. What time have the 6 per cent first mortgage bonds yet to run?

Mr. WILSON. Oh, a number of years; I think about 25 years yet to run.

The CHAIRMAN. A long-time bond?

Mr. WILSON. Yes, sir; the other is a 10-year bond.

The CHAIRMAN. Ten-year debenture bonds?

Mr. WILSON. Yes, sir; and convertible into common stock at the pleasure of the owners of the bonds.

Mr. CHAIRMAN. What was the market on the debenture bonds?

Mr. WILSON. They were put out at 95, and I think they are right around that price now.

The CHAIRMAN. What was the common put out at?

Mr. WILSON. The common has not been put out in that sense.

The CHAIRMAN. It existed as a part of Sulzberger & Sons Co.'s issue?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And it was worth not to exceed \$5 a share, or 5 cents on the dollar, at the time you went into the company?

Mr. WILSON. Taking the market as a basis; no.

The CHAIRMAN. I mean, the market value?

Mr. WILSON. Yes, sir.

The CHAIRMAN. That was \$20,000,000 of outstanding Sulzberger & Sons Co. stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. How was it the bankers could offer you, either by way of gift or sale, or any other way, \$1,500,000 of the common stock of Sulzberger & Sons Co. which they gave you?

Mr. WILSON. Well, they had that common stock, and through some arrangement with the old owners they agreed to give a part of what they had, and the old owners agreed to give a part of what they had.

The CHAIRMAN. The bankers owned some common stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. I want to know how they got hold of it?

Mr. WILSON. I am telling you. They got that as a consideration for their undertaking to reissue \$8,000,000 of debenture bonds that were coming due. The company was in a bad way.

The CHAIRMAN. There was an outstanding issue of \$8,000,000 of debenture bonds of Sulzberger & Sons Co.?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And the time had arrived when they must be re-issued or paid?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And this was an extension of the time by way of renewal of the debenture bonds?

Mr. WILSON. They did not renew them, but they had to take care of them.

The CHAIRMAN. They took up that issue by the sale of another issue?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And the bankers took the second issue?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And as a bonus they received how much common stock?

Mr. WILSON. I do not know exactly. They received quite a substantial amount. Mr. Heney says, and I think he may be correct, that they had in all 60 per cent of the common stock.

The CHAIRMAN. You seem to go on the idea that we are familiar with what is going on before the Senate Committee on Agriculture.

Mr. WILSON. It is in the Federal Trade Commission's report.

The CHAIRMAN. There is nothing in there from Mr. Heney. You people refer to Mr. Heney as if we knew all about what was going on before the Senate committee, and I do not know about that.

Mr. WILSON. I am referring now to the Federal Trade Commission's report. It is in that.

The CHAIRMAN. Well, does it state it correctly?

Mr. WILSON. I think substantially so. I am not in a position to give the actual facts, but it is in substantial accord with my idea of that transaction.

The CHAIRMAN. Was the common stock practically velvet in that transaction?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And no money went into the company by reason of the sale of the common stock?

Mr. WILSON. No. But then, you must go back further if you want to consider that as the basis of an actual investment, because originally that represented dollars and cents in the business, that common stock did way back. It represented dollars in the business, and at the time this trade was made on the books of the company it represented maybe \$70 a share, but the lack of success of the company—in fact, the failure practically of the company—put the market on the common stock down to nothing or near nothing, although this common stock did represent money in the assets of the company.

The CHAIRMAN. Did I understand you to say that the company as a corporation gave its common stock to the bankers or sold it to them?

Mr. WILSON. It did not. That stock was out, and was in the hands of the Sulzbergers. The company did not give it to the bankers at all.

The CHAIRMAN. Well, was the Sulzberger & Sons Co. a corporation?

Mr. WILSON. Yes, sir.

The CHAIRMAN. It issued the common stock?

Mr. WILSON. Yes; and the stock had been out for several years.

The CHAIRMAN. And they owned it?

Mr. WILSON. The Sulzbergers personally owned it.

The CHAIRMAN. The Sulzbergers then gave the stock to the banks?

Mr. WILSON. Yes, sir; that is it.

The CHAIRMAN. And then the banks and some others gave you straight out \$1,500,000 of the common stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And an option to buy as much as \$3,500,000 more of the common stock at \$10 a share?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Which option you exercised by buying the common stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And I suppose you bought that stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. That \$3,500,000 of common stock came from whom?

Mr. WILSON. That \$3,500,000 came from the bankers and from the Sulzbergers personally who owned stock in the company.

The CHAIRMAN. Then the bankers did get a profit so far as they held that common stock of \$5 a share?

Mr. WILSON. Yes, sir.

The CHAIRMAN. By your exercising your option on the shares?

Mr. WILSON. I do not know how much they got. You understand they bought some of the stock; they did not get it all for nothing in that deal for a reissue of the debentures. They paid something for it, but it was not much.

The CHAIRMAN. But when you received the option the common stock was not worth exceeding \$5 a share?

Mr. WILSON. No; it had been offered at about that. Time and again it was offered before then at \$5 a share.

The CHAIRMAN. The bankers, or whoever owned the \$3,500,000 worth of common stock that you paid \$10 a share for, got a profit of \$5 a share, didn't they?

Mr. WILSON. That is correct. You understand that the Sulzberger & Sons Co. at that time was rather in a bad position; it had been a losing proposition. It was run down, in a hole as it were; and the value of the common stock depended entirely on what was made out of the company finally. I do not think that at that time the common stock had really any value at all, any market value.

The CHAIRMAN. Did the bankers sell all the stock they had to you?

Mr. WILSON. No; they have gradually sold that stock out on the market.

The CHAIRMAN. They had all told about 60 per cent of the common stock?

Mr. WILSON. That is my understanding, that they had practically that amount.

The CHAIRMAN. They had 60 per cent of \$20,000,000?

Mr. WILSON. Yes, sir. That was of course before I got mine.

The CHAIRMAN. Which would be \$12,000,000 of the common stock?

Mr. WILSON. Yes, sir.

The CHAIRMAN. You do not know whether you got a part of theirs or not?

Mr. WILSON. I know that I got a part of theirs but not all. And I know that some of mine came from the old Sulzberger people.

The CHAIRMAN. That same stock, without any additional money being paid in by the holders thereof, ran up to about \$75 a share?

Mr. WILSON. I say at that time it really represented a value of about \$70 a share.

The CHAIRMAN. I know, but you said this morning, if I understood you correctly, that it ran up to about \$75 a share on the market?

Mr. WILSON. Oh, on the market, yes. I did not understand you.

The CHAIRMAN. The market value reached a point recently where it was worth about \$75 a share?

Mr. WILSON. Yes, sir; and the actual value is more than that.

The CHAIRMAN. Since this investigation by the Federal Trade Commission it has gone down to \$67.50 a share?

Mr. WILSON. No; since this committee hearing began it went down to \$67.50 a share, where it is to-day.

The CHAIRMAN. I do not see why the statements of the packers big and little, old and young, made before this committee should depress this stock?

Mr. WILSON. I quite agree with you, but the people do not get these statements. And they had not got the statements of the packers when the market went off most, but statements came out that the packers were going to be taken over by the Government, that their cars, branch houses, stockyards, and all, were going to be taken over and run by the Government, whereupon the average person figures in this wise, well probably that is the end of the packers, and the stockholders became nervous.

The situation before Congress and this country caused by the unwarranted attack upon the meat-packing industry through an ex parte investigation by the Federal Trade Commission has reached a very serious stage. It is not my wish to unduly alarm Congress

or the great interests represented by the producers of live stock, but a situation is fast approaching, if not already present, which is rapidly passing beyond the control of any power in this country to control. The success and prosperity of the live-stock industry, as well as that of the packing industry, is now most seriously threatened, and if this agitation results in a demoralization of the market and the prices to be paid for live stock, there will be no one to blame but those behind the agitation now being fostered and fomented by the force behind the movement.

It has been clearly demonstrated that the report of the Federal Trade Commission on the meat-packing industry was wholly an *ex parte* proceeding in which the packers were not permitted to present any defense to the sensational charges made against them. The hearing before the Senate Committee on Agriculture on the Kendrick bill, and the hearing of the House Committee on Interstate and Foreign Commerce on the Sims bill, were predicated upon the *ex parte* report of the Federal Trade Commission. The report of the Federal Trade Commission and the hearings before these two committees have attracted attention in foreign countries, where the circumstances surrounding the case are not fully understood.

From the summary of the report of the Federal Trade Commission dated July 3, 1918, and addressed to the President, we quote the following:

Out of the mass of information in our hands, one fact stands out with all possible emphasis. The small dominant group of American meat packers are now international in their activities, while remaining American in identity. Blame which now attaches to them for their practices abroad as well as at home inevitably will attach to our country if the practices continue. The purely domestic problems in their increasing magnitude, their monopolization of markets and their manipulations and controls, grave as those problems are, are not more serious than those presented by the added aspect of international activity. This urgently argues for a solution which will increase and not diminish the high regard in which this people is held in international comity.

The above comment is a fair example of the inconsiderate manner in which the Federal Trade Commission has made statements in its *ex parte* investigation of this industry. No investigation has been made by that tribunal into the problems and questions relating to the foreign business of the meat-packing industry. It knows nothing of the business in South America or in Europe upon which it would be authorized to make such a broad statement, and we respectfully protest that there is nothing in the situation which calls for such an unwarranted statement. Nevertheless, great harm has already been caused and a prejudice has been created which it will be very difficult to eradicate.

The five years of vigorous propaganda of a small coterie of wealthy and influential cattlemen, well financed, fomented and actively managed by a small group, closely associated with a small group of designing and ambitious politicians, have brought the meat-packing industry of the United States to the point shown by the following cablegram from London, published in the press of this country:

LONDON, Feb. 5.—According to plans to-day, the inquiry into the activities of the American meat packers in this country will be short but effective. It is not proposed to attempt to call any of the American packers or their representatives as witnesses unless they voluntarily offer to testify.

The investigating committee will be formed of representatives from the law of trade and the food and agricultural ministries. Their investigation, a high official of the board of agriculture said, will be informal. They will review in a broad way certain statistics as to meat prices in Great Britain. New witnesses are expected to be called. A short cut to adjournment will be taken by the probable adoption of the report of the American Federal Trade Commission. The American packers will be given an opportunity, if they wish it, to "read in" corrections of the American commission's report, but this will not mean the committee will accept the "correction." Findings will be submitted to department heads, who will formally submit a joint report with recommendations as to what action is advisable to Parliament. Parliament then may act.

We also offer you the following newspaper report cabled from South America and published in the press of this country on January 31, 1919:

BUENOS AIRES, Jan. 30.—The operation of the American packing houses in Argentina is dealt with in a two-column article in *La Razon* to-day. Commenting on J. Ogden Armour's testimony before the United States Senate committee, the paper says:

"We published sometime ago the Swift balance, showing a 30 per cent interest in South American business, which caused such comment in South America that Mr. Armour omitted South American profits in his balance. The Packing Trust is a serious menace to Argentina to-day. The Government must establish national plants or requisition foreign ones. If the price is not descending to-day, it is because of the efficient organization of these trusts, which are more powerful than many Governments. When war was declared America consented to the formation of trusts, especially the meat trusts, to operate in South America and Africa. From the first we have protested against Europeans and North Americans classing us as Negroes, in the belief that European character disappears the farther south one travels. Meat trusts were most repulsive to North Americans, and were largely responsible for the strict antitrust law. We have protested their operation here. We were put on the American black list but removed later. We still hold our original opinion that the operation of these trusts is detrimental to Argentina. As the result of the trust combination, Argentina farmers receive only 200 pesos for a steer, the identical steer selling for the equivalent of 700 pesos in England or North America."

This is the situation now concerning this industry in foreign countries and there is no way to determine how much farther it will spread and to what extent an irreparable injury will be done to this, the greatest single industry in this country. We are dependent upon the markets of Europe to absorb and consume our surplus supplies. The prices received for such surplus is a large if not controlling factor in establishing the price of live stock in this country. If embargoes are raised against American meat products in foreign countries, it can not fail to affect the markets in this country adversely.

The packers are now and have for some time past been operating their plants to their fullest capacity, giving employment to labor in the largest possible measure. If the consumption of meat products is curtailed, it will necessarily reduce our operations and will probably throw a large number of men out of employment. This is the situation which you must look squarely in the face, and those behind this agitation must be prepared to accept their full responsibility for the consequences which we as an industry will be utterly unable to control.

It has not only been fully established that the report of the Federal Trade Commission failed to cover the ground authorized and directed by the President, to wit, to ascertain all the facts relating to the production, manufacture, and distribution of food stuffs; but that the alleged evidence produced in the ex parte hearings is in

many respects incorrect and that practically every one of the inferences drawn by the commission from the evidence is wrong in respect to any material matter; that the conclusions, particularly as regards there being no competition, are unwarranted; and that the recommendations, if carried into effect, would seriously impair the ability of the packers to serve the public.

No proof has been offered to show that the industry is not run with efficiency and at a reasonable, almost nominal profit; but on the contrary, affirmative proof has been presented by the packers which can not be denied or disproved from any source that the profits of the packers can truly be expressed in terms of but a small fraction of a cent per pound on the turnover and that the total profits on the business done is less than that enjoyed by any other manufacturing industry in this country, without regard to the line of business. When it is remembered that the packers are dealing in a perishable product, this showing is the more remarkable. The figures of the Food Administration show that the total net profit of the packers on all articles of food under Federal control and regulation of the industry has been for the past year 5.6 per cent. The Federal Trade Commission have checked these figures and have offered nothing to this committee to challenge them or disprove their accuracy.

The CHAIRMAN. Your judgment is that the bankers do not hold more than 10 per cent of the \$20,000,000 of common stock at this time?

Mr. WILSON. Yes, sir; that is correct.

The CHAIRMAN. If they held 60 per cent of the common stock and have sold 50 per cent of the \$20,000,000 that they held, they do not hold but 10 per cent, or \$2,000,000, now?

Mr. WILSON. About \$1,200,000, as they only had about \$12,000,000, or 60 per cent of the total issue.

Mr. WILSON. Yes, sir; it went out on the market.

The CHAIRMAN. As they still hold 10 per cent it is reasonable to suppose that the 50 per cent was sold not at one time, but that they fed it out on the market as they thought best?

Mr. WILSON. Yes, sir; it went out on the market.

The CHAIRMAN. The bankers are taking no part whatever in the activities or ownership of the property itself?

Mr. WILSON. That ought to be modified to this extent, that some of the bankers are on my board of directors, and I get the benefit of any help they can give me in an advisory capacity. None of them are located in Chicago, and I see them as a rule only once a month in our directors' meeting.

The CHAIRMAN. As stockholders of course they were entitled to a vote in the corporation?

Mr. WILSON. Yes, sir.

The CHAIRMAN. And the voting power was with the common stock?

Mr. WILSON. I ought to explain that all the common stock is in a voting trust. There are five voting trustees, and that voting trust continues for about a year and a half. The stockholders are represented by certificates in that voting trust.

The CHAIRMAN. And those bankers are in the voting trust?

Mr. WILSON. Yes; and I am in the voting trust.

The CHAIRMAN. You are one of five?

Mr. WILSON. Yes, sir.

The CHAIRMAN. How many bankers are in the voting trust?

Mr. WILSON. Four.

The CHAIRMAN. You and the bankers then are the entire voting trust?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Consequently you and the bankers have all corporate power until the voting trust expires?

Mr. WILSON. Yes, sir.

The CHAIRMAN. When did it begin; at the time you went into the company?

Mr. WILSON. No, sir; a little before the change was made, probably six months before I went into the business.

The CHAIRMAN. Are these investment bankers or ordinary bankers? I do not know enough about them to tell whether they are ordinary bankers or what are termed investment bankers.

Mr. WILSON. They are; the Guaranty Trust—

The CHAIRMAN (interposing). The Guaranty Trust Co., New York, is one?

Mr. WILSON. Yes, sir. And the Chase National.

The CHAIRMAN. The Chase National Bank is another?

Mr. WILSON. Yes, sir. And Hallgarten & Co., who are really investment bankers, and Solomon & Co., who are also investment bankers. And in an indirect way Kuhn, Loeb & Co. As a matter of fact, they are now substantially out of it. I think they are entirely out of it. I think the last record I had showed—

The CHAIRMAN (interposing). They are not on the board of voting trustees?

Mr. WILSON. No, sir.

The CHAIRMAN. That is the Chase National Bank that you referred to, was it?

Mr. WILSON. Yes, sir. Well, the ownership is in the Chase Securities Co.

The CHAIRMAN. The Chase National Bank owns the Chase Securities Co.?

Mr. WILSON. Yes, sir; I think so.

The CHAIRMAN. I suppose it is like the National City Bank, which owns the National City Co.

Mr. WILSON. I suppose so.

The CHAIRMAN. In other words, the investment division or department of each bank operates through such a company?

Mr. WILSON. I suppose so.

The CHAIRMAN. It seems to me if these bankers are exercising this good judgment, they make a good deal more money as investors in industries than they could possibly make in attending to a strictly banking business. And they have voted, as I understand, with you in all corporate matters from the time you came in there.

Mr. WILSON. Yes, sir.

The CHAIRMAN. I wanted to get your idea of the situation.

Mr. WILSON. Of course; they control in that way the voting trustees, but they are not a majority of the board of directors at all.

The CHAIRMAN. They are the voting power for the present?

Mr. WILSON. Of the stock.

The CHAIRMAN. I say for the stock. Stock gives the power to vote. I want to see the practical side of this matter, and it looks to me as if bankers can make more money out of the wrecks and ruins of industry, and if they can do so, then they would have a greater interest in the number of wrecks they can take care of, than in ordinary banking business.

Mr. WILSON. They made good money out of this, it is true. They were not interested in the business while it was going downhill, however. This group of bankers were not in it much until then. They had nothing to do with the issuance of the old debentures, and had nothing to do with the financing of the company. They did assist finally in the refinancing.

The CHAIRMAN. As I understand you, the company now in its present condition, without any additional capital having been added to it since the Sulzberger & Bros. Co. handed it over, this common stock is really worth 100 cents on the dollar measured by the investment value.

Mr. WILSON. It is worth actually more than 100 cents on the dollar.

The CHAIRMAN. So that the real capitalization, meaning stocks and bonds, amounts to how much?

Mr. WILSON. Well, there is \$30,000,000 of stock and \$40,000,000 of bonds, which is \$70,000,000, and substantially \$20,000,000 of surplus, which is a total of \$90,000,000 or around \$95,000,000.

The CHAIRMAN. I mean stocks and bonds and so forth, that means \$70,000,000.

Mr. WILSON. Yes, sir.

The CHAIRMAN. \$40,000,000 of bonds and \$30,000,000 of stock.

Mr. WILSON. Yes, sir.

The CHAIRMAN. And you mean you have a surplus of \$20,000,000?

Mr. WILSON. Yes, sir.

The CHAIRMAN. You have an investment value of about \$100,000,000 in this business.

Mr. WILSON. A little less than that, but substantially that.

The CHAIRMAN. But the company has not received anything more than ordinary profits that go with the business, a well managed business, since you became connected with it.

Mr. WILSON. That is all. Of course, you understand that these values of the property, while they have not been changed, they have become fixed by the fact that it is now a going and prosperous concern. At the time that they were asking about \$5 for the stock, the properties were all there but as a dead proposition, and the plants and all that would not have been worth as much money, naturally.

The CHAIRMAN. Well, I had drawn the idea, and I will be frank about it, that on account of the reputation you had, with your long experience in the business, that these bankers regarded that you carried a promotion value, was the reason why they would give you and did give you a salary of \$125,000 a year and a bonus of \$1,500,000 of common stock. When I say promotion, I do not mean it in an illegal sense or in an improper way. But take a man like yourself, who takes a run-down concern like Sulzberger & Sons Co., you could bring to it and add to it a value which was perhaps in it but could not be realized as it stood: that with your reputation and everything of that sort, your connection with it was beneficial in carrying out the general plan and purpose of the bankers in this reorganization

scheme and operation of the company. I thought perhaps that had something to do with giving you the \$125,000 a year salary.

Mr. WILSON. I do not think it had very much, because at that time I could have bought all their stock at less than \$10 a share.

The CHAIRMAN. Yes; but if you did not make money out of it you would not have received the \$125,000 a year salary.

Mr. WILSON. That would indicate, however, that they were not very strong on carrying the stock, and taking the chance on the promotion feature of it.

The CHAIRMAN. They not only gave you \$125,000 salary, but gave you a straight-out present of \$1,500,000 of common stock; and while at that time there was no profit in the stock that they gave you an option on, it was to be conceded that there would be a profit, and you of course were one means of the company's success, the service you might give for the \$125,000, together with the interest that you had in the \$1,500,000 of common stock, might be a further stimulant, and with the addition of option on \$3,500,000 of common stock. So it looked to me as if you were the chief source of value to the company at the time you went into it.

Mr. WILSON. Well, it wasn't their doings that I got the option on the \$3,500,000 of common stock. That wasn't their suggestion.

The CHAIRMAN. I understood you to say that a part of it came from them and a part of it from others.

Mr. WILSON. Yes; and I insisted upon having that. It wasn't that they were anxious I should have it that they might get these benefits you are speaking of.

The CHAIRMAN. That was your end of the bargain?

Mr. WILSON. Yes, sir. And most probably, as I told you this morning, because they paid me no more than I was getting in salary to take hold of what I thought then was a pretty nearly busted proposition, that they offered the other inducement. As I told you this morning, I was well situated. I could have stayed on in the work with the other concern just as long as I wanted to work, and I could have drawn a good substantial salary, such as I was drawing, or probably more.

The CHAIRMAN. Well, I am not criticizing you for accepting it, nor what you are doing, but am looking at this from the standard of those who were interested in the property that was turned over to you, and it seems to me if they did not acquire your assistance or services, or those of some other man who could furnish the same personality and administrative value that you furnished, that they probably would have lost a great deal more than they then stood to lose without any prospects of profits whatever.

Mr. WILSON. I do not think there is any question about that.

The CHAIRMAN. Therefore your motive and object in capitalizing your services, or the promotion or speculation, or whatever you want to call it, and I do not mean that in an improper or wrongful manner or anything of that kind, but it is the same thing as occurs in the reorganization of other properties; I do not mean it in the slightest degree as a criticism of yourself, but in such circumstances one would naturally ask, why does Mr. Ogden Armour receive only \$25,000 a year, and he has been long in the business, and his is one of the chief companies in existence, measured by capital and reputa-

tion; and why does Mr. Swift, the head of the biggest packing business in the world, receive only \$50,000, and you should be given \$125,000 salary plus \$1,500,000 of common stock as a present, together with a very valuable option privilege in addition. It certainly must carry some idea of the value connected with yourself that was not simply the value attached to the industry itself. In other words, there was a financial end to be considered that stimulated and caused these gentlemen to give you what you asked, and you asked what you thought you ought to have in the circumstances. You took some chance in undertaking to manage a run-down concern.

Mr. WILSON. Yes, sir.

The CHAIRMAN. But has it or not added to the capital value of the industry? If the stock was worth \$5 or less a share then and is now worth over \$67 a share? It is paying a dividend, I suppose, on the common stock.

Mr. WILSON. No; it is not.

The CHAIRMAN. It will some day, naturally.

Mr. WILSON. I hope so.

The CHAIRMAN. Haven't you got \$20,000,000 of surplus now?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Well, you can pay a dividend now on the common stock.

Mr. WILSON. Yes, sir.

The CHAIRMAN. You have no other use for it and you could distribute it in that way. Now, speaking of salaries, we have to look at these things from the public viewpoint and the standpoint of public sentiment. I do not call the packing industry a public utility, like a railroad company, or a street car company, or a gas company, or a water company, or something of that sort. There is no power of condemnation given to you gentlemen; you could not go out and condemn a piece of land in New York or anything of that kind. But when the industry becomes so large as to affect the general welfare of hundreds of millions of people, you understand that the public looks critically on reorganization schemes, and on immense salaries, as they appear to them.

Mr. WILSON. I would like to say—

The CHAIRMAN (interposing). I have seen more of that in the railroad business, because I have never known much about the packing business. There will be a chairman of the board of directors on an immense salary, and a president of the company, on an immense salary, and they have this officer and that officer that does not seem essential to the railroad service. On the other hand, I recognize that you are a useful and practical man, for you know all about the business from the bottom up. But it seems to me that if Sulzberger & Sons Co. had written off that common stock and retired it and reduced the capital of the company the concern would not have been in financial straits. Some people are disposed to look at these large salaries, which are charged up to operating expenses, as a way of hiding what they feel are excessive profits.

Mr. WILSON. Mr. Chairman, I would like to say—

The CHAIRMAN (interposing). And it further has this effect, to some extent at least, that those who perform the service for which they receive wages, people called wage earners in the same business,

when they see such enormous salaries paid to some people receiving them, and it being a private corporation, they think and ask themselves, why can't we get our share? It is just as essential to have our services in order to produce—

Mr. WILSON (interposing). May I break in right there?

The CHAIRMAN. Yes. I think that leads to labor agitation and labor disquiet, or if at least it doesn't primarily lead to it, it doesn't have a tendency to prevent it. You may say what you want to on that now.

Mr. HAMILTON. Mr. Chairman, was that a question, an observation, or what?

The CHAIRMAN. It was a statement preceding a question.

Mr. WILSON. I want to say there, Mr. Chairman and gentlemen of the committee, that I realize fully the force of your argument. I am operating along the line of the chairman's thought, to this extent, that I have made it possible for the employees of Wilson & Co. to own a part of its common stock, and that proposition is now in operation. The employees are subscribing for a lot of this common stock, which they are getting on the basis of—well, the market, but it was a little under the market at the time; with the further consideration that at the end of two years, the company is to credit them up, that is, they are to get a credit of \$10 per share on that common stock, making it cost them that much less than the market. That stock in their hands, when it is finally paid up, will be at a price of less than 50 cents on the dollar, probably 40 per cent of its actual value. And in addition to their having that privilege, they have the further privilege of paying for it over a period of two years. That is not an increase in the capital stock; it is stock out of the \$20,000,000 of common stock that they are getting.

The CHAIRMAN. I was going to ask you how do they get it, unless you want to sell it to them.

Mr. WILSON. I have bought it and made it possible for them to have it.

The CHAIRMAN. The company buys it in and sells it out in that way to its employees.

Mr. WILSON. Yes, sir.

The CHAIRMAN. I suppose the company doesn't own any of its own stock.

Mr. WILSON. They do not, but I bought it.

The CHAIRMAN. You do it personally?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Of course you do it for the company and out of the assets of the company.

Mr. WILSON. No, I do not do it out of the assets of the company.

The CHAIRMAN. Do you do it out of your own personal pocket?

Mr. WILSON. No, sir; I borrowed the money against the stock to do it with.

The CHAIRMAN. You bought the stock and paid for it and borrowed money on it to carry it.

Mr. WILSON. Yes, sir.

The CHAIRMAN. And whenever these wage earners pay for it, they pay off that debt.

Mr. WILSON. Yes, sir.

The CHAIRMAN. That is your personal operation and not the company's.

Mr. WILSON. No, sir; but it is making it possible for the employees of Wilson & Co. to have an interest in the company.

The CHAIRMAN. That is very generous compared to what some other company may do for its wage earners. But all of the wage earners are not employed by Wilson & Co., and there are millions of them. As I have said, I have seen more of this in connection with railroads than anywhere else. Many officers receive very large salaries, and many of them receive these salaries without any benefit to anybody except to the persons who receive those salaries. I do not refer to you, Mr. Wilson, of course. This has a tendency, I think, to produce strife, and I think will have a greater tendency after this war than ever before. Wars have to be fought upon products and products can not be brought into existence without work. They can not create by miracles something that did not exist before; labor itself creates it. I think the large corporations, even the large industrial enterprises, ought to quit paying these enormous salaries, which are published all over the country, and talked about, and as to which the common man can hardly see how it can be done except through a miracle, that nothing less than a miracle could enable them to get it. Now, as to these vast salaries that are paid, and I am speaking more particularly about railroads, I would very much regret to go out into my district and make an argument in favor of such salaries and say that Mr. Schwab or any other man, who did not have the power to produce miracles, could be worth \$1,000,000 a year to the Steel Trust or to any other company in the world. The paying of these enormous salaries has a tendency to create disturbance among laboring people.

Mr. HAMILTON. Mr. Chairman, why don't you give the witness an opportunity to answer your questions?

The CHAIRMAN. I have just finished now.

Mr. HAMILTON. It seems to me you have asked several questions in one, and added a number of observations to it.

Mr. WILSON. I am not putting myself in Mr. Schwab's class and I am not claiming that I am worth to my company what Mr. Swift is to his company, or Mr. Armour is to his company. I started in this business 30 years ago, at about \$20 a week. The first morning I went into the stockyards, I went in there not knowing a man in the yards. I had not even been in the stockyards before. I have worked all my life at the business, and with Morris & Co. I was not a participant in ownership at all. All of my experience was compensated for in the nature of salary. Now, in that respect, I differ a great deal, of course, from Mr. Armour or Mr. Swift. You will appreciate that they are big stockholders and were big stockholders in those going concerns that were paying regular dividends, as they have told you. That has not been the case with me.

Now, let us get up to the point where these people came to me. They had a very much crippled proposition. Of course, they were in it and they were endeavoring to recover it and make some money out of it. I do not want to pretend that the bankers are not in it for what they might make. They do not pick up a proposition, or get back of a proposition, when they think they are not going to make some

money out of it. But as I have explained to you, I found this situation and took the chance and I took no more out of it, and I have taken no more out of this company than I was getting out of the other concern who had the opportunity to measure the value of my services up to that time. And, Mr. Chairman, it was not a small chance that I took; it was a big chance. And I have not taken anything in the operation of our business away from the producer or the consumer. The economies we have worked out, and the conditions we have worked out in that business, have helped both the producer and the consumer. They do not suffer by reason of the fact that this crippled corporation was put on its feet and put in a place where they could serve them to advantage. They certainly did not suffer by that at all.

The CHAIRMAN. You were with Morris & Co., I believe.

Mr. WILSON. Yes, sir.

The CHAIRMAN. You were receiving from Morris & Co. what they thought you were worth?

Mr. WILSON. I presume so.

The CHAIRMAN. You were not a member of the Morris family?

Mr. WILSON. No, sir; not in any way.

The CHAIRMAN. I believe the members of the Morris family own that company. I am assuming that they employed you and paid for your services upon merit only. And, of course, if you left a certain and substantial salary of that sort, you would have to have some purpose or motive besides salary.

Mr. WILSON. Naturally.

The CHAIRMAN. And the \$1,500,000 of stock and the option on \$3,500,000 of stock at \$10 a share, and all that kind of thing was what really stimulated you in doing so. But I regard this, and the effort of the bankers, I mean the efforts you made from the standpoint of the bankers, as being in the nature of promotion expenses. But the objection I think to big salaries paid by corporations is that as a matter of course they cut down the net. The net earnings are what people judge a corporation by, as to what the corporation is getting. And if they charge up as operating expenses more than what is necessary to perform the operation itself, in a way to hide the earnings, and keep them from the public view—and, of course, I do not have any more application to you than to anybody else, but I think the policy of paying large salaries, larger than is received by the President of the United States, and seven or eight times larger than any member of the Cabinet gets, is liable to have a bad effect upon what we call the labor question.

Mr. WILSON. I think that may be all true. But I do not think that is true in this case.

The CHAIRMAN. That may not be. I say this is a matter that came to my mind largely from the railroad situation, where men get a hundred thousand dollars a year, and have a fine car to ride around in, while the track walker got a dollar a day.

Mr. WILSON. I have had no private car, but have had to work. I tell you that, and to work hard.

The CHAIRMAN. I do not doubt that. I have heard you most favorably spoken of and in a most complimentary way.

I believe you said that stockyards under private control or ownership would be more efficient than if Government owned.

Mr. WILSON. Yes, I made that statement.

The CHAIRMAN. By Government-owned, you do not mean to confine it to the Federal Government, but you mean publicly owned.

Mr. WILSON. No, I do not mean that at all. I mean either State or Federal Government. I do not think it absolutely necessary that these yards should belong to the packers.

The CHAIRMAN. Stockyards is what I am talking about.

Mr. WILSON. Yes, that is what I say.

The CHAIRMAN. It has been told here, and I have no doubt it is absolutely true, that in nearly every case the packers have been sought to take stock in stockyards by the local people, like you spoke of in Oklahoma City.

Mr. WILSON. Yes, sir.

The CHAIRMAN. It is perfectly natural for them to do that because they consider it a benefit to them to do it, because in that way they build up a market there.

Mr. WILSON. Yes, sir; they can not do it otherwise.

The CHAIRMAN. And it increases the receipts and the business alone.

Mr. WILSON. Yes, sir.

The CHAIRMAN. Now, I want to know why couldn't the State of Oklahoma have bought the very lands that you did, and put up stockyards, and operate them, not as a railroad proposition but as municipal-owned proposition, if they wanted to benefit the State. Why couldn't they have done that?

Mr. WILSON. I do not think the State or the city would be any more capable of running a stockyards than I would be of running a city. And I think I would make an awful mess of running a city.

The CHAIRMAN. I do not know about that. You packers have shown such ability in running your own business, maybe you might be running the whole country before long, and possibly to the benefit of the country.

Mr. WILSON. I think it is hardly possibly that we will be running the country.

The CHAIRMAN. The city could own real estate.

Mr. WILSON. Certainly, but the interest has got to be there.

The CHAIRMAN. The interest?

Mr. WILSON. In order to get 100 per cent efficiency, you have got to have the interest of the people who know the business and can direct it. If a man doesn't know the business he can not intelligently direct it.

The CHAIRMAN. Of course, stock yards ought to be operated in order to give best results from the standpoint of terminal facilities as well as marketing features, and the owners of stock yards make money by reason of their best efforts in this line. Why shouldn't there be competition in the agencies the State might secure? Why couldn't a city go out and employ men and pay good salaries? Why is it absolutely necessary for the packing company—and I know why it has been done—but why is it necessary in the public interest for stock yards to be privately owned, either by the packers or any other private agency, why necessarily so?

Mr. WILSON. Well, I do not think you can afford to mix politics with business of that kind. I do not believe you would get results if you did.

The CHAIRMAN. If they leased out these yards for a period of years and made regulations as to the operation, would you call that politics?

Mr. WILSON. Yes, sir; I certainly would, because that would be manned with politicians and the individual interest in it would be gone.

Mr. HAMILTON. Have any of your Tennessee municipalities ever undertaken to run a stock yards?

The CHAIRMAN. I do not think they have.

Mr. WILSON. Now, Mr. Chairman, let me tell you—

The CHAIRMAN (interposing). Well, I want to get this point straight: You are more competent to speak on it than I am. I can not see why so far as the terminal service of stock yards is concerned, why that could not be just as well rendered by the railroads, as they have the transportation facilities, as by private corporations. In fact, the railroads are private corporations—that is, privately owned—and were privately operated up until the last year. I do not see why they could not do that part of it.

Mr. WILSON. Well, Mr. Chairman—

The CHAIRMAN (interposing). On the other hand, I do not see why a city itself could not have municipal stock yards, and then try to get buyers to come there, like yourself and others. I can not see why it is absolutely inimical to government ownership.

Mr. WILSON. Well, Mr. Chairman, I will tell you a little incident that occurred last night that goes to show what is operating in my mind, and why I think you can not keep politics out of it, and why it can not be run successfully with politics in it. If you take personal interest out of it it is going to suffer. Since the railroads have been taken over by the Government—and mind you, I am not finding fault with the Government operation of railroads, nor am I criticizing the service—but I have had at least a dozen, bright, capable fellows, who were formerly employed by railroads, and who are still employed by railroads under Government supervision, who have come to me to get a position, wishing to make a change. The reason given by every one is that personality is gone and they do not know who their bosses are, and since the Government is running the railroads there is no recognition of individual ability such as there was prior to the Government taking them, and that they would rather work for individuals. I had a case last night of a man, who is working for a railroad, and who has been down here on some Government work, as a matter of fact he works for a railroad, I think, an ex-Senator is interested in. He wants to get out of the railroad business and go to work in some other line. He is receiving to-day \$5,100 a year, but is willing to go to work for me for a little less than that in order to get started. Now, Mr. Chairman, that is what is running through my mind. I do not think you can hold an organization together with individual ownership gone. I do not think it possible. I am not criticizing Government operation at all, but I do not think it will work out.

The CHAIRMAN. That is temporary.

Mr. WILSON. Well, these men do not know whether you are going to turn them loose next month, next year, or at the end of five years.

The CHAIRMAN. They are afraid of Congress.

Mr. WILSON. These men have worked along and have reached an age where they do not want to put in four or five years in an uncertain way, but want to know what they are doing. I am not alone in that position, because there are many of these men who are trying to sell their services in order to get out of that situation, trying to connect themselves up with other lines of industry.

The CHAIRMAN. You are applying that to municipal-owned stockyards as a parallel. Let us say in all candor that the railroads have been taken over only for war purposes, and it is not permanent. They are taken over for the temporary use of the Government, not to exceed the term of the war and 21 months. Consequently, everything is in a state of unrest, uncertainty, nobody knows what is going to happen, but at the same time the railroads are being operated absolutely by the very men who operated them before.

Mr. WILSON. That is true, but—

The CHAIRMAN (interposing). And the law says very plainly that 21 months after the war is over they have got to go back to their owners unless Congress changes the law. It is not fair nor just to assume that the operation of the railroads during the war, when they had to make paramount the demands of the war, should be compared to permanent ownership and operation in time of peace, especially as to mere terminal facilities like stockyards. I do not see how such a comparison would impress anybody.

It would not be fair and just to hold that that temporary operation by the Government as a war measure can justly determine in any way the peace operation of the same utility.

Mr. WILSON. I think you are quite correct in that, yet here is a case that happened last night of a man who is uncertain as to the future, not uncertain as to his ability to go on and hold down the job, but uncertain as to his future in that job. He wants an opportunity and, in spite of this investigation of the packers and all that, he is willing to take a chance at less money and go to work for them, because he feels that his personality may still be recognized there.

Mr. COADY. He must have thought that this bill was not going to pass.

Mr. WILSON. It may be that the fellow doesn't want to compete with you gentlemen on a salary basis, working for the Government, but would rather have my salary; I don't know.

The CHAIRMAN. I rather think the same motive may apply to the man who worked for the railroad as a railroad man and received a larger salary when working for a private corporation than he is receiving from the Government.

Mr. WILSON. That doesn't happen to be the case with this man.

The CHAIRMAN. That case may not be, but, of course, you can not judge of a whole great industry like the railroads. You can not judge them by the motives and wishes of a single individual.

Mr. WILSON. That is true. But I have had several applications and have employed some men who have worked for railroads.

The CHAIRMAN. I am not undertaking to determine that stockyards should be managed by the Government or by corporations connected with railroads. But I can not understand why that service is so technical. It is different in connection with the operation of meat cars, but I can not see why the operation of stockyards is so technical

that you have to have professional men with individual initiative to operate them, and a part of that initiative, of course, refers to melon cutting, soft snaps, and things of that kind. I do not see why the city of Chicago shouldn't own its own stockyards, or the city of Baltimore, or any other place, and operate them in such a way as not to have people making these charges, or at least not to have any grounds whatever for making them.

Mr. WILSON. As a general proposition, I think the closer you get the ownership to the management in any proposition the better it is.

The CHAIRMAN. When you speak about getting your people interested, I think the Steel Trust acted along that line and say they have never had a strike. Suppose railroad owners and operators and wage earners should all agree about everything, they could pay wages then almost without limit, if you could put it into operating expenses, and then demand of those who pay for the services of railroads to pay enough to cover all operating expenses, maintenance charges, construction purposes, and so forth, and in addition create a dividend fund so large as to make the securities of the railroads more attractive than other securities offering to the public in the market. That seems to be the railroad policy now. I think you can combine the wage earners of the railroads, who have vast voting power, with managerial ability, together with the reorganization feature of it that goes with investment bankers. I say, if they could all work together, you could give the wage earners a certain part of the earnings and the others a certain part, and they could give these managers any salary they wished, and it could be charged up as operating expenses, and you would have a powerful combination against the public. If you take wage earners and operators into your company as stockholders of course you at once secure their political support. You spoke about things being political, and I do not know how you can get companies one of politics that are regulated or taxed by legislative bodies. I think railroads are in politics and I do not know how you are going to get them out of it, because every State in the Union seems to want to get a greater amount of its taxes from the railroads; so I ask you how can they stay out of politics if privately owned. How can you keep them out of politics in that event? And how can you stay out of politics if they undertake to tax you because you are in the packing industry?

Mr. WILSON. When I say politics, I mean in the management and operation.

The CHAIRMAN. You do not mean voting power?

Mr. WILSON. Not at all.

The CHAIRMAN. Railroads have decided, as I see it, not only to get into politics, but to keep in it, because they want to have a member of the Cabinet. In that way they would have one man over them only during the time a particular party was in power.

Mr. HAMILTON. Mr. Chairman, do I understand from what you have said that you are opposed to Government retention and control of railroads?

The CHAIRMAN. I have not indicated anything of that sort.

Mr. HAMILTON. I thought from what you said about voting power of employees and so forth that perhaps you were not in favor of it.

The CHAIRMAN. From the standpoint of private ownership of industries, if you could charge them up with operating expenses

amounting to whatever you saw fit along this line, you can see what it would amount to, Mr. Wilson.

Mr. MONTAGUE. Let me interpose there. I think Mr. Hamilton did the chairman an injustice. Judge Sims was comparing railroads with other private enterprises and said you could condemn property of railroads, but could not condemn this other property, because this bill does not so provide.

The CHAIRMAN. If you can condemn private property, that might be taken over.

Mr. MONTAGUE. You can acquire property by condemnation or purchase.

The CHAIRMAN. This refers to stockyards.

Mr. MONTAGUE. To stockyards, serum plants, lands on which to establish plants, and so on. If you can do all of the greater things, I do not see why you can not do the other and lesser things, I am not saying now whether it is good or bad, however.

Mr. HAMILTON. One would infer then that the chairman is in favor of this bill.

Mr. MONTAGUE. He is the author.

Mr. COADY. As I understand, the Chairman's view is the packing company has not the right of condemnation, but he does not mean that the Government could not condemn the packing industry.

Mr. MONTAGUE. I wish to know how under the law you can condemn any property except for public purposes. Of course, the Constitution is a last year's bird nest at present, but I mean when it is in effect.

The CHAIRMAN. All countries reserve the right to change their Constitution when they see fit.

Mr. MONTAGUE. Certainly, by amendment regularly adopted.

The CHAIRMAN. Mr. Wilson, perhaps all my questions have not been directly pertinent to this particular line on which you are an expert.

Mr. WILSON. I certainly take no exception to that.

The CHAIRMAN. But I thought it would be just as well to take on some of these larger matters and discuss them with a gentleman who I thought was capable of giving information.

Mr. WILSON. I appreciate the compliment.

The CHAIRMAN. Now, Mr. Esch, you may go ahead. Mr. Esch is the senior member of this committee, having been on it longer than any other member.

Mr. ESCH. And I know very little about it.

Now, Mr. Wilson, in the letter or reply of Swift & Company to questions submitted July 23, 1918, by the Federal Trade Commission, Mr. Swift makes this suggestion:

It might even be possible for the Federal Trade Commission and the Bureau of Markets, United States Department of Agriculture, in cooperation with the live stock exchanges, commission men, and jobbers, to inaugurate a system which would have the effect of controlling live stock shipments so as to make receipts at the principal markets more uniform and more in accord with market requirements.

How, what is your opinion on that?

Mr. WILSON. I think that is possible. I do not know whether that would be possible through the operations of the Federal Trade Commission, but I think it is possible by cooperation between the pro-

ducers and the packers and the Department of Agriculture, to work out a good deal of help to the situation in that way. That is already demonstrated by the fact that it is being done to-day.

Mr. ESCH. That is, under Federal control equalizing the flow to the primary markets.

Mr. WILSON. Yes, sir.

Mr. ESCH. What effect does that equalizing of the flow have?

Mr. WILSON. Under the hog situation, it is the only thing that made possible the carrying out of the price. I wouldn't say the only thing, but a strong factor in it.

Mr. ESCH. Does this equalizing the flow of stock to primary markets add to the burden of the common carriers?

Mr. WILSON. No. I think not.

Mr. ESCH. How can you equalize the flow unless you have stock trains running practically every day?

Mr. WILSON. Well, I think it is possible to work that out through what we call the zone system, plus this market system that is now in operation.

Mr. ESCH. Do you think that practicable and desirable in peace times or normal times?

Mr. WILSON. Well, I do not know that it would be necessary in normal times. There might come times when it might be helpful.

Mr. ESCH. As a matter of fact, before the Federal control equalized the flow, the railroads had shipping days for stock, did they not?

Mr. WILSON. I think that was true of some of the railroads, and others I think shipped every day.

Mr. ESCH. When they shipped every day they had to have fast trains to make these shipments.

Mr. WILSON. I think they had what they called fast freight or stock trains.

Mr. ESCH. In some sections of the northwest they utilize Sundays in order to take stocks to Chicago and other markets, so as to avoid conflict with other business. Wouldn't you have to do something of that kind every day in the week to equalize the flow?

Mr. WILSON. I don't think so.

Mr. ESCH. Do you think the railroads could adjust themselves to that demand?

Mr. WILSON. I think so.

Mr. ESCH. You think that would be of benefit to the stock markets?

Mr. WILSON. During any abnormal conditions, yes.

Mr. ESCH. Stock hauling is seasonal, isn't it, in many respects, especially for cattle?

Mr. WILSON. For cattle, and hogs too, it is seasonal.

Mr. ESCH. You think it is not desirable to have Mondays and Wednesdays the large days of the week.

Mr. WILSON. I think it would be better if it were spread out over the week.

Mr. ESCH. By spreading it out over the week, it would mean a more uniform price to be paid to the producer.

Mr. WILSON. I think very likely.

Mr. ESCH. In the end would that average the producer a greater return than if the stock went in as before Federal control?

Mr. WILSON. It would be more equitable. Some fellow who is not on the market on Monday but is there on Tuesday might find a

lower market, we will say, on Tuesday, and he has a complaint. If it is more uniform it would be more equitable and more satisfactory all around.

Mr. Esch. You think that complaint would be obviated if the supply were more regular?

Mr. Wilson. Yes, sir; to some extent at least.

Mr. Esch. I think you said that the small packers had increased their slaughter of hogs since 1910.

Mr. Wilson. I said the small packers in Chicago. I gave the figures.

Mr. Esch. Would that be true of other markets?

Mr. Wilson. I think it is; yes, sir.

Mr. Esch. Has the small packer been increasing his slaughter of hogs rather than increasing his slaughter of cattle, or have both increased?

Mr. Wilson. Well, I think the packer who slaughtered cattle in 1912 has increased, but of course—

Mr. Esch (interposing). But not in the same proportion as the slaughter of hogs.

Mr. Wilson. I wouldn't say that. I do not know. I think it is very probably in proportion to the receipts, or I do not know that he has gained any particularly.

Mr. Esch. Well, is it a fact that hog slaughtering appeals to a larger number of men of medium capital more than cattle slaughtering, owing to the fact that a smaller investment is necessary for hog slaughtering?

Mr. Wilson. I think because of the fact that the chances of making money are a little better.

Mr. Esch. Are better in the hog market?

Mr. Wilson. I think so.

Mr. Esch. How about utilization of by-products?

Mr. Wilson. On the part of the small packer?

Mr. Esch. Yes.

Mr. Wilson. He can utilize them in a small way to pretty good advantage.

Mr. Esch. He wouldn't have to utilize the by-products of hogs as the by-products are comparatively few.

Mr. Wilson. They are not as many.

Mr. Esch. So an ordinary and small plant could utilize the by-products of hogs where it would not be able to have the equipment necessary to utilize the by-products of cattle. Would that be the reason why he wouldn't go into cattle-slaughtering business?

Mr. Wilson. I wouldn't think so. He can dispose of the by-products of cattle if he is in the vicinity of any of the larger packers. There is always a pretty good market for the by-products for hogs or cattle. Of course, the small packer usually does not go to the extent in the utilization of by-products that the big packer goes.

Mr. Esch. If they do not go to the utilization of by-products, they lessen their profits, don't they?

Mr. Wilson. To some extent. Sometimes they do fully as well or better.

Mr. Esch. If they lessen their profits because they can not utilize the by-products, it intensifies the competition between them and the

larger packers, and that puts a handicap on the smaller packer. doesn't it?

Mr. WILSON. That is true if they do not do as well in the utilization of by-products. But I think they average pretty nearly as well. If you take, for instance, on the fertilizer, on their tankage, the small packer will turn it over and get his money out of it quicker, and probably is as well off as the larger packer, who has to ship it to his fertilizer plant, and carry it there five or six months until the season comes around, and then extend a credit of four or five months to the fellow who buys it. I don't think in the sum of his cost he has any advantage over the small packer. I think that has been demonstrated with the small packer, that with his turnover he is making more money than the large packer.

Mr. ESCH. You said this morning that you shipped hogs from Kansas City and also from Tennessee points to your packing plant in Oklahoma City.

Mr. WILSON. We have done that recently, but that is not the usual custom.

Mr. ESCH. That is what I was going to ask. That is not a usual transaction.

Mr. WILSON. Oh, no. It is going against the stream.

Mr. ESCH. Well, you did it in order to employ your packing house at Oklahoma City?

Mr. WILSON. The principal reason was to carry out this stabilization plan that the Government was asking us to support, and which we did support, and were glad to support, and which we think vital. The Government had gone on record to the producers that they should have 17½ cents for their pigs farrowed last Spring, and in order to do that we have done extreme things, in order to make it possible to carry that out.

Mr. ESCH. You never did that before you were under food control?

Mr. WILSON. Oh, the occasion would be extremely rare. We never shipped from places like Nashville, Tenn. I think you might find cases when, for one reason or another, we might ship from Kansas City to Oklahoma, but it would be very rare.

Mr. ESCH. Did any other packers do the same thing?

Mr. WILSON. Other packers have done that during this emergency. Armour & Co., I know, has shipped hogs from eastern points to Fort Worth.

Mr. ESCH. If the Government owned the stockyards, and had the refrigerator cars, would the Government see to it that no packing plant was without its supply, no matter where located?

Mr. WILSON. Well, I don't know. That is a pretty difficult problem. I think, if they attempted to run the business on that basis.

Mr. COADY. I did not catch that.

Mr. ESCH. Mr. Wilson has stated that they shipped hogs from Kansas City and Tennessee points to their packing house in Oklahoma City, because of the drought and shortage of hogs locally. I am asking the question whether if the Government owned the stockyards and the refrigerator cars, it would see to it that all the packing houses throughout the United States would be supplied with hogs, or whatever was needed to keep them running.

Mr. WILSON. I do not think it would. If it did, I think it would soon go broke on the proposition. Or, I ought not to say the Govern

ment would go broke, but it would prove a very expensive proposition.

Mr. ESCH. You would have to keep in your mind always the freight rates which would be charged against the product, and that would be a limitation in itself?

Mr. WILSON. Yes, sir.

Mr. ESCH. But I did not know whether there was anything in the proposition that the Government might equalize industry and thus keep all the plants operating through the season.

Mr. WILSON. I do not believe they would go beyond natural economic lines in handling commodities. I do not think they would go against the stream in order to do it. I do not think it would be good judgment to do that.

Take Oklahoma: We haven't had hogs out there enough to keep us going. I do not believe it would be good judgment to ship hogs back there in order to keep that plant going under normal conditions. I do not think it would be good judgment on the part of the Government to undertake to do it.

Mr. ESCH. You know about Director General McAdoo's ordering a hundred thousand cars last year.

Mr. WILSON. For the building of a hundred thousand cars?

Mr. ESCH. Yes.

Mr. WILSON. I have heard of it.

Mr. ESCH. I have asked other witnesses whether any portion of those 100,000 cars would be refrigerator cars, in view of the vast shortage of refrigerator cars owned by packers and others.

Mr. WILSON. My opinion is that it does not include any refrigerator cars. I may not be correct on that, and would not like to say positively.

Mr. ESCH. In view of the tremendous strain put upon all refrigerator cars within the last year for war purposes, and the shortage in cars on the part of packers and others, do you understand the Director General ordered no refrigerator cars to be built as a part of 100,000 cars to be added to the supply?

Mr. WILSON. That is my understanding, but I have not direct authority on that.

The CHAIRMAN. One of the packers who appeared here, and I think one of the larger ones, said he understood that a portion of them was to be refrigerator cars, but that of those delivered he did not think any were.

Mr. ESCH. I would like to get Mr. Wilson's idea about that.

Mr. WILSON. The last report I had on that was, I asked my transportation man to look the question up and report to me. I think that was about a month ago. He said up to that time nothing had been done toward ordering any refrigerator cars.

Mr. ESCH. And up to January 1, there had been only 14,000 of the 100,000 delivered.

Mr. WILSON. All told.

Mr. ESCH. Of course they cost probably \$3,000 apiece now, don't they?

Mr. WILSON. Yes, sir; about that.

Mr. ESCH. That is about three times the normal cost.

Mr. WILSON. Yes, sir; just about that.

Mr. Esch. That may be one reason why they were not ordered to be constructed.

Mr. Wilson. We have had to go on and buy them and pay on that basis. I know we paid a little over \$2,800 for some. There was no choice in the matter with us, we just had to have them, and that was all.

Mr. Esch. That is all I care to ask.

The CHAIRMAN. Mr. Montague, do you wish to ask any questions?

Mr. Montague. I would like to ask one or two.

Mr. Wilson, referring to the very interesting question asked you by Mr. Esch, in relation to the stock yards as instrumentalities for the equalization of delivery and slaughter of live stock, do I understand that a stock yard is only a market stall, a place where the purchaser buys his cattle and where the buyer and seller meet?

Mr. Wilson. Well, it of course extends a great deal further than that. It is a trading place. As somebody has put it here, I noticed from the testimony, it is a hotel for cattle.

Mr. Montague. How can a hotel command guests to come to it? How can it compel guests to come there and stop? Suppose the hotel were owned by the Government, how could it make guests come there if they didn't want to come?

Mr. Wilson. I do not think it possible.

Mr. Coady. It might conscript them.

Mr. Wilson. I wouldn't like to have the job to force producers to ship to a market they did not want to go to.

Mr. Montague. If the guests were willing to go, then you would have to control transportation likewise—that equalization of delivery would have to be controlled?

Mr. Wilson. Yes, sir.

Mr. Montague. So the mere ownership of a stockyards alone would not give you this equalization, unless you likewise owned the transportation facilities and then had some control over the producer, could it?

Mr. Wilson. They would all have to be linked up together. I would think.

Mr. Montague. Have you any holdings, any plants or activities of your concern in foreign countries?

Mr. Wilson. Yes, sir.

Mr. Montague. Where?

Mr. Wilson. We have one plant in Buenos Aires, Argentina, and one plant in Sao Paulo, Brazil, and one plant at Santa Anna, in Brazil, and that is in the Rio Grande country.

Mr. Montague. Have you any ranches and do you feed any cattle?

Mr. Wilson. No; we do not do it to any extent. We do occasionally feed cattle—a few of them—on the Pacific coast, but it doesn't amount to anything particularly.

Mr. Montague. Your board of directors consists of how many?

Mr. Wilson. Well, it is either 12 or 13.

Mr. Montague. Well, that is approximate; that is all I want. They are elected by trustees under a voting trust, I understand?

Mr. Wilson. Yes, sir.

Mr. Montague. In other words, the voting trustees hold in escrow, so to speak, the stock?

Mr. Wilson. Yes.

Mr. MONTAGUE. And name the directors?

Mr. WILSON. Yes.

Mr. MONTAGUE. For how long is that instrument creating the voting trust operative?

Mr. WILSON. It has got about a year to run.

Mr. MONTAGUE. How long has it been running?

Mr. WILSON. Four years.

Mr. MONTAGUE. So that five or six years would cover the duration of the voting trust power?

Mr. WILSON. It was for a five-year period.

Mr. MONTAGUE. You said the total of your common stock was how much?

Mr. WILSON. \$20,000,000, Mr. Montague.

Mr. MONTAGUE. Roughly, how many stockholders have you?

Mr. WILSON. Roughly, we have about 5,000.

Mr. MONTAGUE. Mr. Chairman, I do not think there are any other questions I will ask now, but I would like the privilege of asking questions later.

The CHAIRMAN. Mr. Hamilton?

Mr. HAMILTON. I have only one of two questions—

Mr. MONTAGUE (interposing). Mr. Hamilton, I have one other question I would like to ask before you begin to question Mr. Wilson.

Mr. HAMILTON. All right; go ahead.

Mr. MONTAGUE. Mr. Wilson, have you any suggestions to make with respect to any new legislation regulatory of the packing business?

Mr. WILSON. Gov. Montague, I would not recommend any new legislation. I think there is plenty now on the books. We have plenty of law to handle this big proposition; we have plenty of regulations, as far as that goes, and plenty of law to properly regulate this big business. We have the Sherman Act; we have the Clayton Act; we have the Federal Trade Commission; we have the Department of Agriculture and the Bureau of Markets; we have the Bureau of Animal Industry; we have the pure food and drugs act; and I think we have plenty of legislation to successfully handle this business.

Mr. MONTAGUE. Do you understand that the Sherman Antitrust Act would be applicable to a combination or an agreement between five or more packers?

Mr. WILSON. Applicable?

Mr. MONTAGUE. Yes.

Mr. WILSON. Certainly, if it was in violation of that act.

Mr. MONTAGUE. Has any step been taken declaring that the five big packers were in combination and to dissolve them under that law?

Mr. WILSON. There has not been any such declaration that I know anything about.

Mr. MONTAGUE. I mean in the courts.

Mr. WILSON. No; there is no combination in the first place.

Mr. MONTAGUE. I am not speaking of whether there is or not; I am just speaking of whether any steps have been taken to show that you are a combination, and then to unscramble the eggs, so to speak?

Mr. WILSON. No, sir. And I take exception to Wilson & Co. being classified in the "Big Five." You would have just as much right to classify us in the Big Two, or the Big Three, or the Big Four, or

Seven, or Eight, or Nine. There are other big concerns that step right in, in their order, and you are just as much entitled to call it the "Big Eight" or the "Big Nine" as to call it the "Big Five." They just simply call it that to fit the condition they want to cover.

Mr. MONTAGUE. We have understood that the five big packers were Swift, Armour, and Morris, in order, and yourself, and then Cudahy—I do not know whether I pronounced the name correctly.

Mr. WILSON. "Cudahy"; that is correct.

Mr. MONTAGUE. Were your sales last year larger than Cudahy's, or smaller?

Mr. WILSON. I do not know what his sales were.

Mr. MONTAGUE. You gave your sales as what?

Mr. WILSON. A little under \$400,000,000. Now, there are immense concerns outside of those five.

Mr. MONTAGUE. What other large packers are there?

Mr. WILSON. The Jacob Dold concern, which is a big concern; then there is the Kingan Co. of Indianapolis—

Mr. MONTAGUE (interposing). Yes; which is the larger, the Jacob Dold Co. or the Kingan Co.?

Mr. WILSON. I do not know; they are both large concerns. And there are others—J. Morrell & Co., a very large concern; and the Cleveland Provision Co., a big concern. Then there is Cudahy Bros., Milwaukee; you can keep going on. I have a list of the different packing companies licensed and operating under the Bureau of Animal Industry, and there are some 300 of them.

Mr. MONTAGUE. Do they have to be of a certain size in order to come under the regulation of that bureau?

Mr. WILSON. Not at all; but if they do interstate business they have to come under it.

Mr. MONTAGUE. That, in one sense, establishes their size.

Mr. WILSON. Oh, no—

Mr. MONTAGUE (interposing). They have to be of sufficient size to do interstate business?

Mr. WILSON. Yes.

Mr. MONTAGUE. That is all; thank you.

Mr. WILSON. I want to add, just to follow up your question, that I believe that if this great Government of ours, and if this Congress of ours, will get back of the Department of Agriculture and support it properly they have the machinery there to handle this whole proposition.

Mr. MONTAGUE. Have you ever looked over the appropriations that this Government makes for the Department of Agriculture?

Mr. WILSON. I have, in a general way, but I do not believe along certain lines—

Mr. MONTAGUE (interposing). I do not believe the average tax payer would look at this that way.

Mr. WILSON. I think it would be much better for the average tax payer than to create some new scheme or proposition to handle a proposition of this kind. It would be more effective, because they have to train and educate men and they have made a study of this business and they know something about it. And I make that suggestion because the remedy for this thing is to come through a better understanding of it; and the Congress does not understand this in

dustry, and the producers do not understand this industry. They understand their own end of it, and are competent, capable fellows—conscientious, and I think, on the whole, they want to do the right thing; but they do not know the workings of the proposition beyond their own end of it. And this whole remedy is, in my opinion, going to come out of a better understanding and, on top of that, proper cooperation.

Mr. MONTAGUE. The reason I made the suggestion to you as to the appropriations just now, is because you, in turn, suggested that Congress ought to get behind the Department of Agriculture.

Mr. WILSON. Yes.

Mr. MONTAGUE. And I just wanted you to see just how far they had put the Treasury behind the Department of Agriculture.

Mr. WILSON. That may all be; but I have some instances in my mind—

Mr. MONTAGUE (interposing). You see, in the last Congress—it did not used to be so; it used to be largely an administrative body, that was appropriated for; and so when we appropriated money for the administration of it, we supposed the administration feature would take care of itself, or at least, would be operated by itself, rather than through and by the Congress.

Mr. WILSON. Well, of course, in my business I come in contact with a good many of the Bureau of Animal Industry men, and I find that they are a lot of intelligent fellows in there; but I do not believe those fellows are supported as they should be supported—and I know that, because a good many of them, like this railroad man—

Mr. MONTAGUE (interposing). What would you suggest, taking myself as an humble Member of Congress, who would like to support the Department of Agriculture, and put it behind every legitimate enterprise in the country that belongs to its real activities; what could I do?

Mr. WILSON. You could probably do a good deal by encouraging them; understanding their problems, backing them up, and seeing that they get the necessary appropriations to carry out their work. They are doing a great work, in my opinion, and that is why I advocate that.

Mr. MONTAGUE. There is pending now before the House the annual Agricultural Appropriation Bill. As a citizen with a large State under this Government, I would be glad if you would examine that bill and see whether you still retain your views as to supporting the Department of Agriculture.

Mr. WILSON. I will be glad to do so.

Mr. MONTAGUE. I do not know whether the taxpayers of the country will justify it; perhaps they will.

Mr. WILSON. I do not know; it is hard to get the taxpayer to understand these problems. That is one problem that you gentlemen have. But I feel that almost any appropriation you gentlemen make for that department would be justified.

Mr. MONTAGUE. Mr. Chairman, do you know what the appropriation is carried in the present bill?

The CHAIRMAN. I do not; I have not noticed the amount this year.

Mr. ESCH. It is \$31,000,000 in the pending bill.

The CHAIRMAN. I agree with Mr. Wilson that it is an appropriation that does as much good as any that I know of.

Mr. MONTAGUE. I am not criticizing it at all. I am just trying to see how much further we could develop our duty in supporting the Agricultural Department. That is all I have to ask. Mr. Hamilton, I ask your pardon for interrupting you.

Mr. HAMILTON. I was very glad to have you do so. In line with what you have just said, it used to be a theory that that Government is best governed which is least governed; that was considered good logic some years ago.

Mr. MONTAGUE. There was a gentleman, I think, who has gone out of fame now, named Thomas Jefferson, who supported that theory.

Mr. HAMILTON. Well, there will be a Jefferson again some of these days, and there will be several of those suggestions of Jefferson's that will not be referred to very extensively.

I think you said that your corporation is engaged in handling canned fruits and canned vegetables and canned fish. What else do you handle outside of meat and meat products?

Mr. WILSON. Well, that would cover the grocery line pretty well. We have handled a little rice and beans; but that I have cut out: we are not handling them now, and I do not propose to handle them again.

Mr. HAMILTON. I remember that you stated that a representative of Austin Nichols & Co.—have I got the name right?

Mr. WILSON. That is correct.

Mr. HAMILTON (continuing). Wholesale grocers, expressed pleasure at your entering into the business of handling canned fruit, etc.

Mr. WILSON. That is correct.

Mr. HAMILTON. It has been stated here—and I do not know how, Mr. Wilson, whether I am recalling the exact statement—that it cost the wholesale grocers something like 9 per cent to handle groceries and distribute them, whereas the packers can handle their lines at something between 3 and 4 per cent. Are you informed in relation to that?

Mr. WILSON. Well, I do not know as to what it costs them. I have that impression that it does cost them about three times what it costs us—that is, the most of them. I do not think that would apply to a man like Austin Nichols. And I respectfully suggest that you would find him a very interesting man to have come before you. I have no interest in him, and never met him but once in my life; but he is a capable man, and an honorable fellow, I think, and I think is intelligent on the question of the wholesale grocer.

Mr. HAMILTON. Now, having in mind the consumer, if you can handle these goods cheaper than anybody else, then the consumer ought to receive the benefit of it. Does he?

Mr. WILSON. I think he does, to a certain extent; I think there is a tendency.

Mr. HAMILTON. Do you undersell the wholesale grocer?

Mr. WILSON. Well, I do not know that I could answer "yes" positively to that. But I think in this way—that we are improving the conditions, and that we are producing for less money, and I think that all tends to lower prices, and I think that has a tendency, perhaps, to pull the wholesale grocer down a little, where he can purchase stuff on anything like the basis we do, and in that way it has an influence in making the prices, although the prices may be—I do

not know; I have never compared our price list with that of the wholesale grocers, and they may be pretty nearly alike; but I think our operation has a downward tendency, because of those superior facilities.

Mr. HAMILTON. With your facilities for distribution, you can easily undersell the wholesale grocer, can you not?

Mr. WILSON. Some of them, I think; but not all of them.

Mr. HAMILTON. Well, as a general proposition.

Mr. WILSON. Well, there are a great many that we would have considerable difficulty in underselling.

Mr. HAMILTON. That is to say, if they entered into active competition they might make it warm for you for a while——

Mr. WILSON (interposing). No; I do not mean that, exactly. Take Austin Nichols, for example: I do not believe that there is any packer that could go out and do business for less money than he does. He is a manufacturer, and is strictly up to date.

Mr. HAMILTON. But the question is, what is done, not what can be done?

Mr. WILSON. Yes.

Mr. HAMILTON. I do not know; I do not think I stated that correctly either. I was inquiring of you with a view to ascertaining, whether, as a matter of fact and actual practice, you could not distribute these side lines of yours a good deal cheaper than you are now, and thereby give the consumer the benefit of it, in competition with the wholesaler.

Mr. WILSON. Well, I would answer that in this way: That we could undersell some of the wholesale grocers; there are others that I do not believe we could undersell, because I think some of the up to date wholesale grocers are operating on as low a basis as we are, and we have no particular advantage over those up to date fellows.

Mr. HAMILTON. By the way, some gentleman stated before this committee that the Government was erecting at Chicago a cold-storage plant, with a capacity of 60,000,000, costing \$3,000,000. Have you any information in relation to that?

Mr. WILSON. Yes; I know that is being done. It was started during the war. I do not just know how far they have gotten along with the work; but the Army or the Quartermaster's Department was building a plant of that kind.

Mr. HAMILTON. I am curious to know what the Government will do with it after the war is over.

Mr. WILSON. Well, I think they will probably turn it over to some private interest.

Mr. HAMILTON. You mean sell it out?

Mr. WILSON. I think so.

Mr. HAMILTON. They will have to, will they not?

Mr. WILSON. I do not think they would have to do so.

Mr. HAMILTON. Well, what would they do with it if they did not sell it?

Mr. WILSON. They might lease it.

Mr. HAMILTON. That is true.

Mr. WILSON. They might lease it, or they might undertake to operate it, I suppose; I do not know.

Mr. HAMILTON. Why would they operate it, unless some such measure as this should pass?

Mr. WILSON. Well, I was thinking that the Army, for instance, might undertake to operate it.

The CHAIRMAN. To furnish their supplies?

Mr. HAMILTON. Well, what would be the advantage in that case? They would get fresh meat from the packers—

Mr. WILSON (interposing). I think there would be a great disadvantage to the Government in trying to operate it, through any branch of the Government.

Mr. HAMILTON. Well, I wish you would go into more detail as to that.

Mr. WILSON. As to why I think it would be a disadvantage?

Mr. HAMILTON. Yes. Now, here is an immense amount of money belonging to the taxpayers of this country.

Mr. WILSON. Yes.

Mr. HAMILTON. The Government is spending \$3,000,000, and probably more.

Mr. WILSON. Yes.

Mr. HAMILTON (continuing). For something that appears to be of not much value. And I want to know—

Mr. WILSON (interposing). I will tell you my views, Mr. Hamilton: That was merely to meet an emergency situation. The emergency was the father of the thought there. Now, the foreign Governments were using a lot of the cold-storage capacity in this country to take care of the stuff that they were buying and forwarding for the use of their armies and their civilian population, and that made, for the time being, a shortage of refrigerator space.

Now, when that has passed away, as it is passing away, there is not going to be a shortage of refrigerator space in this country. Anybody who has got a plant and has got to compete under those conditions, is going to have a difficult time in doing it.

That is the main reason, plus the fact that I believe that some private corporation, of some sort or other, could operate that more successfully than the Government; somebody who will give it their personal attention, who understands that business, who has been brought up in that business, will operate it to better advantage than the Government could. And I would strongly recommend, if my recommendation is worth while, that the Government either sell or lease it, if they can.

Mr. HAMILTON. Is the Government constructing any other cold storage plants?

Mr. WILSON. I do not know of any.

Mr. HAMILTON. Gov. Montague suggests that I inquire of you how nearly that plant is completed.

Mr. MONTAGUE. And how long they have been working on it.

Mr. HAMILTON. Yes, how long they have been working on it now.

Mr. WILSON. I could not answer that. I have not been able to get over to see the work myself, and I am sorry to say I have had no report on it.

Mr. HAMILTON. Do you know about when they commenced?

Mr. WILSON. I should say about a year ago—not on the actual work, but the plan was inaugurated about a year ago.

Mr. HAMILTON. Well, they have the foundations ready, then. I imagine. [Laughter.]

Mr. WILSON. Well, if I imagined anything, it would be imagination and guess work, and I would rather not do it. I think the stockyard people—Mr. Shaw, for instance, could probably answer that.

Mr. LEONARD. The plant is practically completed, and is supposed to go into operation the 1st of February, barring accidents.

Mr. HAMILTON. That is to say, it will be ready to go into operation?

Mr. Wilson, have you had an opportunity to make an investigation as to the slaughtering business abroad—I mean in Europe?

Mr. WILSON. Yes, I have had the opportunity.

Mr. HAMILTON. Well, have you made any investigation?

Mr. WILSON. Yes.

Mr. HAMILTON. How was it managed, say, in France?

Mr. WILSON. Well, it is a pretty crude proposition in France.

Mr. HAMILTON. Is there any municipal slaughtering plants in France?

Mr. WILSON. Well, I do not know whether they are municipally owned or not; they are very small propositions.

Mr. HAMILTON. My impression is that at Geneva, Switzerland, there is a municipal slaughter house.

Mr. WILSON. That may be; I do not know. I have never visited it; I have never seen it.

Mr. HAMILTON. How was it managed, in Germany, if you know?

Mr. WILSON. I can not answer as to Germany. I have never been in Germany.

Mr. HAMILTON. I did not know but that you might have made some investigations there.

Mr. WILSON. No. We have never felt very kindly on the German situation, because they did not take out stuff there, and we were not very much interested.

Mr. HAMILTON. Then, you have no general information as to meat?

Mr. WILSON (interposing). I have no general information as to the German situation; I do not know how they operate.

Mr. HAMILTON. Have you information as to any other country than the countries I have named?

Mr. WILSON. Well, of course I have information as to the English situation.

Mr. HAMILTON. What is the English situation?

Mr. WILSON. Well, they had privately owned plants, where they do their slaughtering, and in a great many of them, where the stuff as it arrived there—Irish cattle, and formerly, when we were shipping, American cattle, and South American cattle; they were killed right there. The plants are right at the wharves. It is all a private proposition.

Mr. HAMILTON. I think that is all.

The CHAIRMAN. Mr. Decker?

Mr. DECKER. How old are you, Mr. Wilson?

Mr. WILSON. Fifty-one.

Mr. DECKER. And you have been in the business 30 years?

Mr. WILSON. Yes.

Mr. DECKER. You started in as a hog buyer?

Mr. WILSON. No. In the first instance, I started in as a car accountant; that is, I kept track of the refrigerator stock cars for Morris & Co. I was working for the Burlington Railroad, doing similar work, and had worked there for about a year after I left school, and they sent down to the Burlington road for a man to do that work for them, and the railroad people sent the chief clerk in my department there. I had been there only a short time. And he went and looked it over, and came back and said, "Nothing doing." that he would not take on that job if they would make him the president of the stockyards; he did not like the stockyards proposition. Of course, the conditions then were not as they are now. And I asked the privilege of going out and taking a look at it myself; and I went out and I hired to the Morris people; it looked to me like an opportunity out there—and it proved to be an opportunity.

Mr. DECKER. What was the next position you had?

Mr. WILSON. Then I commenced looking after, in conjunction with that work, the repair of the cars and what little building we did of the cars, and after that I went into the purchasing department and did the purchasing of supplies.

After that I went out into the plant. I worked through the different departments in the plant, more for the experience than for anything else.

And then I took on the supervision of the operations. We only had the one plant then in Chicago, and I took on the supervision of the operation of the plant. That meant from the butchering all the way through on the products as far as we went—and we did not go very far in those days.

And from that I went back into the office and commenced then to develop branch markets around the country; I took that on and went out into the territory and picked what I thought was a good location for one of these distributing branches; and I would purchase a property or lease a property and send in directions as to what kind of a building we would put on that property, if it was vacant property or if it was just the land, and had that worked up by the draftsman and sent back home. And then I would go and contract for the building, and when the building was completed I would put in the equipment; and then I would employ, if possible, locally, men to start the operation of the distributing and selling.

In a great many instances I would take those men from our other branches and from headquarters. Then I would stay with that property a couple of weeks—at least, I would come back, probably, for two or three weeks, when we would open up, and direct the selling operations of the business for that length of time, to get everything properly started.

Then, from that, I came back into Chicago and remained there. I went in then with Mr. Edward Morris, in his office, assisting him. He was then practically second vice president. They had Mr. Nelson Morris as president, and Mr. Frank Vogel was the senior vice president.

And I worked along with Mr. Edward Morris, in doing anything and everything that came along—still supervising the operation of the plant, that is the practical operation, and also supervising the selling in the branches around the country.

And then, as we commenced to develop and add on new packing houses, I would undertake those, in conjunction, of course, with Edward Morris; and gradually, along that way, taking general supervision as things were added on.

Mr. HAMILTON. Were you president of the company before Mr. Edward Morris died?

Mr. WILSON. No, Edward Morris was not active for, well, probably two years before he died, although he still retained the presidency. I was the vice president during all that time, but was really acting president. He was away, out of Chicago, a big portion of the time, because he was in ill health.

Mr. DECKER. What was the name of the original founder of the company? What was the first Morris named?

Mr. WILSON. Nelson Morris.

Mr. DECKER. Nelson Morris?

Mr. WILSON. Yes, sir. He was the father of Edward Morris, and the grandfather of the young man who testified here the other day.

Mr. DECKER. You have been at the head of Wilson & Co., successors to Sulzberger & Sons Co., for about three years, have you?

Mr. WILSON. Three years the 22d of March.

Mr. DECKER. Have you been buying in the last year more stock than was ever bought before by that company?

Mr. WILSON. Yes, sir.

Mr. DECKER. Was that company—if you would know about that—run to its full capacity under the old management?

Mr. WILSON. No; I think not. In fact, I know it was not.

Mr. DECKER. How much more cattle—you can give just a rough estimate, or give it exactly if you happen to know—how much more cattle have you bought in the last year than was bought by Sulzberger & Sons Co. the last year that they had it.

Mr. WILSON. Fifty per cent, roughly.

Mr. DECKER. Do you happen to know whether Swift & Co. have bought 50 per cent more this last year than they did three years ago—of cattle?

Mr. WILSON. No; I do not. I think that little booklet of theirs would give that information to you.

Mr. DECKER. I have a suspicion—and that is the reason I asked the question—that if you have been in combination with those fellows, you have got more than your share. [Laughter.]

Mr. WILSON. Well, I think the suspicion would be well founded, based on the figures.

Mr. DECKER. It is a fact, is it not, that there was a time that some of the old packers—back before your becoming president of Morris & Co., that there was a movement among the big packers of the country to form a combination or trust?

Mr. WILSON. Yes; there was.

Mr. DECKER. There is no use of dodging that, is there?

Mr. WILSON. No; and there is no occasion for dodging it.

Mr. DECKER. In other words, there was a sentiment in those days, that it was a legitimate way of making money?

Mr. WILSON. Yes, sir.

Mr. DECKER. And they started in to make one big concern out of the packing business, the same as Rockefeller did out of the oil business?

Mr. WILSON. Exactly.

Mr. DECKER. And their reason for quitting that was not, in your judgment, a philanthropic reason, was it?

Mr. WILSON. Not at all.

Mr. DECKER. They ran up against the good old-fashioned grand jury system, did they not?

Mr. WILSON. No; I would not say that.

Mr. DECKER. They did not get that far, but—

Mr. WILSON (interposing). No; I would not say so. That may have stopped the bankers; it stopped at the bankers.

Mr. DECKER. It stopped at the bankers—and the bankers were afraid of the grand jury?

Mr. WILSON. I think that was their main reason; they were afraid it would not be a popular movement, and that it would run into trouble. I do not think they saw any grand jury immediately ahead of them.

Mr. DECKER. Oh, not immediately ahead of them.

Mr. WILSON. But I think they saw trouble ahead. I think that was the attitude of the bankers at that time—and I think they were right.

Mr. DECKER. And looking at it from our standpoint, to-day, and from the standpoint of most business men, we would agree that the grand jury was a pretty good thing for that situation, would we not?

Mr. WILSON. Yes.

Mr. DECKER. What is your view as a business man with 30 years' experience, about the efficiency of a grand jury, in case there is a combination in this business?

Mr. WILSON. I think it is all right.

Mr. DECKER. How many employees have you got working for you?

Mr. WILSON. Between 25,000 and 30,000.

Mr. DECKER. Well, how many have you in Chicago?

Mr. WILSON. About 7,100.

Mr. DECKER. 7,100. I do not want you to go into exact details, but as near as you can tell, how many of those are in a managerial capacity?

Mr. WILSON. In Chicago?

Mr. DECKER. Yes.

Mr. WILSON. Roughly, 10 per cent of them.

Mr. DECKER. Ten per cent; that would be, at least, 700 or a 1,000 men that know a good deal about the way your business is run, would it not?

Mr. WILSON. They know a whole lot.

Mr. DECKER. And your business could not succeed unless you had at least 500 or 1,000 men that knew your purpose and the methods of conducting your business?

Mr. WILSON. Yes.

Mr. DECKER. And they would have to be pretty loyal men to you, would they not?

Mr. WILSON. Yes, sir.

Mr. DECKER. And a \$100,000,000 corporation is about what you are?

Mr. WILSON. Substantially, yes, sir.

Mr. DECKER. And you could not have 500 to 1,000 men working for you in responsible positions, that were dishonest, and succeed very long, could you?

Mr. WILSON. I think not.

Mr. DECKER. If Mr. Heney, or some other good lawyer, would call some of those men before a grand jury—I mean some good lawyer that knew your business, or you had to learn something—he could find out about how you run your business, could he not?

Mr. WILSON. He certainly could. He has not had to do that, however; he has had men in our offices constantly in the past 14 or 15 months. I think there has been scarcely a day that we have not had Federal commission investigators working in our offices since a year ago last July or August—and a number of them. They have mauled over everything that we have, from top to bottom; from cellar to garret there has not been a thing overlooked. Our figures, and everything, have been scrutinized; every move that we have made has been scrutinized, and everything has been thrown open to them—in spite of what they say. Mr. Congressman, Mr. Heney on this proposition would not go very far, if he did not go back into the dark ages for his story.

Mr. DECKER. That is what I wanted to get at; I want you to—

Mr. WILSON (interposing). He would not have any picture to show you at all.

Mr. DECKER. I want you to open up and tell us if there has been a change in the way this business is run, and if it is a sincere change of heart, or is it due to a fear of the grand jury, and so on; and how you would like it; and any suggestions you have to make.

Mr. WILSON. Well, there has been a change; there is no question about that. And, speaking for myself, and my own company, which I think I know a little about, there is a sincere desire to comply with every law, and every moral obligation that there is on industry of this kind, and on a corporation such as ours.

I think I recognize the responsibility that we owe to the people of America, and I think we are trying to meet that responsibility fairly and squarely. I am not afraid of any grand-jury proposition—not a bit. That is not influencing me. Everything that we do I believe we are doing in a legal way, open, free, and aboveboard; and Mr. Heney, or anybody else is privileged to go just as far as they like.

Now, I would like, in that connection, to just refer back to the first meeting that we had with the Federal Trade Commission. Mr. Davies came to Chicago and called us downtown to meet him in one of the hotels, or at the packers; that is, all of the large packers; and this matter was discussed; and Mr. Davies told us then that this matter was going to be gone into from beginning to end—the producer, the packer, the middleman, the distributing facilities, and the consumer, were going to be considered and investigated, so that when they got through they would have a complete history of this business.

Now, when he said that, we felt mighty good, because I believed that the result would be something worth while.

But that has not been done. Now, I do not know whether Mr. Davies's leaving has been responsible for that or not, but that has not been done; and from all appearances—I want to do full justice to the Federal Trade Commission; I have no ax to grind at all; I

want to do full justice to them. But that policy has not been carried out; and as a matter of fact, in this report [indicating] we have been criticized because we got together to consider this matter in Chicago after Mr. Davies started it, by calling us down there and telling us what he wanted, and telling us he was going to send us out some questionnaires, and he wanted us to answer those questions and give him any other information we cared to give.

Now, we did discuss that together, following the meeting that he planned and at which he attended. Later we came together to formulate our report. The Federal Trade Commission, in its report, charged that circumstance to prove us guilty of being in an illegal combination, which I submit to you gentlemen is wholly unfair.

Mr. DECKER. How many were there present at that conference?

Mr. WILSON. There must have been 20.

Mr. DECKER. Twenty—that is, the five, or six, or eight large packers?

Mr. WILSON. No; the five packers, because they were the only ones—

Mr. DECKER. I see.

Mr. WILSON (continuing). And different men of the packing industry were present. And at the same time, in other rooms of the hotel, he had the producers; but he did not allow us to mingle at all: he met us and then he met them afterwards, or at least at a different time. But any man who will start out and make an investigation in this business from the start to the finish, will do something worth while, and some good will come out of it. But no good will come from taking a slice out of the middle and trying to destroy that: nothing but harm can come from that.

Mr. DECKER. What do you mean by "a slice from the middle"—that they ought to start in with the calf?

Mr. WILSON. Yes; start in with the troubles of the producers. They have troubles; there is no doubt about that, and some of them ought to be corrected. But we can not correct these evils until we know them, and know the foundation of them.

And then the other end ought to be understood, the distributing end, the retailing end; it has not been investigated; they do not know about it, and I do not see how they can intelligently advise on this proposition until they do know the whole story. And I wanted you to get the idea that in the Federal trade report we are criticized and accused of a combination because we met to discuss this reply to Mr. Davies. I just wanted to let you see the extreme—

Mr. DECKER (interposing). And he had called you together first!

Mr. WILSON. Yes, sir; he had called us together first. I just wanted you to get the extremes—and I do not want you to think I am criticizing those men. I think at heart they are probably trying to do what they think is right, but they are going about it badly.

Mr. DECKER. Well, how much time did you spend yourself talking to the Federal Trade Commission? Did you ever give them a statement of yours, like you have given us here?

Mr. WILSON. No; I have never had the opportunity. We were given to understand that when he got out these questionnaires and when he got along he would probably want to discuss the matters with us and he would let us know and he would give us an opportunity to be there.

But that time never came and I never went near him, because I knew some of the other folks had and had made no headway. I never went near them; they never asked me; and I was surprised when the thing was closed up and the report came out; I was terribly surprised, because it seemed strange to me that they would undertake to make a report without hearing the other side. They did not have to take our suggestions or statement of the facts, but they might have heard us; they might very well have gotten some good out of it by hearing our side, at least. But they did not; and they had no purpose to do so. After everything was said and done, that was not their purpose.

Mr. DECKER. Well, it seems to me, as near as I can remember this report—it is a long one—that you packers have carefully answered it. It is not for me to say at this time whether satisfactorily or not; but you have answered carefully the most of these accusations. But I do not believe that there has been enough attention paid to the allegation in this report to the effect that some of your buyers—I do not know whether it was your buyers or some of the buyers of the big packers—admitted to some of these investigators that there was no competition in buying. Now, whether that dates back to the good old days of the National Packing Co. was not quite clear to me in the report—whether that was an up-to-date situation.

Mr. WILSON. Well, I do not know to what statement you refer; but I will go on record with you that it was not a buyer for Wilson & Co.; and if it was he would be out of his job mighty quick; if he was not competing with the other fellows I would like to find it out. And I do not believe the statement at all and I do not believe that if the facts are developed that they will have anything to base the statement on any more than they had anything to base the statement in the Hormell business on—and they had not very much then.

Mr. DECKER. I do not know how the committee will get at that, because I do not think they give the names of the buyers; they said they kept the name secret for his protection; but it is a mighty serious charge, and I would like to think of some way to get at the facts.

Mr. WILSON. Well, I think they ought to be requested to give the name. I do not think that is a matter that ought to be kept from this committee or be kept from the people of this country if that condition exists. I do not believe it exists, and I think when you run it down that you will find that it does not. I know you will find that it does not exist, because I know that the competition is there and is as keen as it is possible to have it. I do not think there is a business in the world where the competition is keener than it is in the packing business, and if there is I would like to know about it.

Mr. DECKER. Do any of the other big five own stock in your company?

Mr. WILSON. No. Some of the estate of G. F. Swift own some of the preferred stock in my company—and that is all written up in the Federal Trade Report. That came out of an old deal, back in 1902. That is nonvoting preferred stock, owned by some of the heirs of the old G. D. Swift estate.

Mr. DECKER. Well, there is \$10,000,000 of that preferred stock?

Mr. WILSON. Yes, sir.

Mr. DECKER. Do you remember how much of that stock the Swift people own?

Mr. WILSON. Of course, it is not necessarily the Swift people; it is the heirs of G. F. Swift; all together there is something over \$2,000,000.

Mr. DECKER. \$2,000,000. That might account, you see, if some of those other big five owned part of your company, that might account for letting you make so much money. [Laughter.]

Mr. WILSON. It is not up to them to let me make money. They would not let me make a dollar if they could help it, Mr. Congressman; do not worry about that a minute. [Laughter.]

Mr. DECKER. Morris & Co. do not own any of your company, do they?

Mr. WILSON. None at all.

Mr. DECKER. That is all, I think, at present.

Mr. PARKER of New Jersey. Mr. Wilson, do the packers compete also in their sales?

Mr. WILSON. Absolutely.

Mr. PARKER of New Jersey. Most of those sales, or a great many of them, are in different places, of different cuts; but do they compete in large sales, on sealed bids, to Government departments and public institutions?

Mr. WILSON. Absolutely, sir.

Mr. PARKER of New Jersey. Do those bids come to your knowledge, do the bids of the others, as well as your own?

Mr. WILSON. At times. For instance, some of the Government purchasing departments will announce what the other bids are, and we aim to get those whenever they do. Sometimes they do not. They say, "You are the low bidder, and you get the business," and that is all we know.

Mr. PARKER of New Jersey. When the bids are announced, are they at the same price for all these large quantities of materials or at a different price?

Mr. WILSON. They are different. It would surprise you if you could see some of them.

Mr. PARKER of New Jersey. Could you give us an example of that from your files?

Mr. WILSON. I could, sir. I have not the information here, but I will be very glad to send you some examples of that.

Mr. PARKER of New Jersey. I should be glad if you would add in your testimony at this point some examples of that.

Mr. WILSON. I will be very glad to do that.

Mr. PARKER of New Jersey. Because that was my information also; but I wanted to make it plain that the competition on the record was bona fide competition, for the same cuts, at different prices?

Mr. WILSON. There will be no doubt in your mind about that after you see the bids as they are opened, sir.

Mr. PARKER of New Jersey. And you can readily do that. Do not select them in any special way, except by time; say a number for certain months or certain portions of certain months?

Mr. WILSON. All right, sir.

Mr. PARKER of New Jersey. Of course, there has been no such thing since the Food Administration came in?

Mr. WILSON. Well, not to any great extent. Of course, the whole matter has been under the control of the Food Administration.

Mr. PARKER of New Jersey. So that it has not been by competitive bidding, to any great extent?

Mr. WILSON. No; of course, it is again now.

Mr. PARKER of New Jersey. It is again now. Then you might give the latest bids that have been turned out, and also before the Food Administration took control?

Mr. WILSON. Yes, sir.

Mr. PARKER of New Jersey. I wanted to ask about another thing that I did not get clearly: Do you think that the Bureau of Animal Industry—if I understood you right—renders any valuable service in the cattle and live stock market? In what way are they valuable? What do they do?

Mr. WILSON. They handle, of course, the operations on the packing house, from a sanitary standpoint, on the plant, and from a physical standpoint on the property; they inspect all of that from start to finish, supervise all of the department work, all of every department.

Mr. PARKER of New Jersey. What else do they do?

Mr. WILSON. Well, they, of course, certify to that, and in case anything is not as it should be, they condemn the product.

Mr. PARKER of New Jersey. You say they know their business?

Mr. WILSON. I think so; yes, sir.

Mr. PARKER of New Jersey. What else do they do? Is that all they do for the packers?

Mr. WILSON. Well, that is not done for the packers.

Mr. PARKER of New Jersey. Well, it is done at the packing house?

Mr. WILSON. Yes, sir; that is substantially all.

Mr. PARKER of New Jersey. What do they do elsewhere?

Mr. WILSON. Well, at our distributing point—that is, the sales points, wherever we do an interstate business, they inspect those places. Mr. Congressman, every animal that we slaughter is inspected most rigidly and carefully by them before it is permitted to go into food products. That is not true—and I think that is one matter that should be brought to your attention—that is not true of all the live stock killed in this country, by any means; there are a great many establishments, with which we have to compete, that do not have the Federal inspection; and they take advantage of that situation; they will slaughter stuff and put it out as food that, at times, should not go out as food.

Mr. PARKER of New Jersey. Do they inspect before or after slaughtering?

Mr. WILSON. Both. They are right on the floors; there is never a time that we are operating, for instance, in our cattle-slaughtering house, that there are not two or three inspectors busy all the time. As the cattle are knocked and stuck and opened they are inspected, and then after they are dressed they are inspected again.

Mr. PARKER of New Jersey. I would like to ask you what else any other department of the Government does in connection with either the raising or the marketing of cattle and hogs? Is there any inspection elsewhere, in other parts of the country?

Mr. WILSON. Of course, they are in the field doing a great deal of work in the tick eradication, and they are doing a great deal of work in the eradication of bovine tuberculosis in animals.

Mr. PARKER of New Jersey. And hog cholera?

Mr. WILSON. Hog cholera—lots of work along that line; and sheep scab is another work which they are doing, which is good work.

Mr. PARKER of New Jersey. Is there anything else except inspection work of that sort? Has there been done any other work of any value?

Mr. WILSON. They are doing a lot of educational work on the raising and feeding and handling of live stock of all kinds.

Mr. PARKER of New Jersey. How does that get to the farmer?

Mr. WILSON. Through their bulletins, chiefly, and through the agricultural press.

Mr. PARKER of New Jersey. Through the press; that only gets to him through publications, does it not?

Mr. WILSON. Well, of course, they have their field men who distribute the information. They are also handling pure-bred herds and testing for tuberculosis, increasing throughout the country the certified herds of breeding stock.

Mr. PARKER of New Jersey. And you do not think the work that is being done is wasted?

Mr. WILSON. Absolutely not.

Mr. PARKER of New Jersey. I think that is all. Mr. Chairman.

The CHAIRMAN. The committee will take a recess until 10.30 o'clock to-morrow, at which time Mr. Wilson will resume.

(Whereupon, at 4.40 o'clock p. m., the committee adjourned until Thursday, January 30, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

HOUSE OF REPRESENTATIVES,

Thursday, January 30, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. THOMAS E. WILSON, PRESIDENT OF WILSON & CO., CHICAGO, ILL.—Resumed.

The CHAIRMAN. The committee will come to order. I believe in the order of the call Mr. Stephens is the next member. You will proceed, Mr. Stephens.

Mr. STEPHENS. Mr. Wilson, I was very unfortunate yesterday in not being able to be present during the afternoon, having another engagement, so it may be that I will ask you some questions that you have already answered, and if I do, I wish you would call my attention to it.

There has been a great deal of criticism of the reports of the packers; in fact, at two or three different times different gentlemen have always complained of your statements as not being accurate, and for the benefit of the record, if you have not already said anything about subsidiaries, I would like to ask a few questions along that line.

I think you gave us in your original statement the volume of your business for the past year.

Mr. WILSON. Approximately, a little under \$400,000,000. As I stated yesterday, we close our business at the end of the year. The end of the calendar year is the end of our fiscal year, so that we are not through with our audit as yet.

Mr. STEPHENS. And I think you also stated your percentage of profit on that volume.

Mr. WILSON. Yes, sir.

Mr. STEPHENS. And what was that?

Mr. WILSON. On the turnover, it would be about 2.05 as near as I can figure it. There may be a little variation when we get our final figures.

Mr. STEPHENS. What is your capital and surplus invested in your business.

The CHAIRMAN. Did we not go over that?

Mr. WILSON. Yes; that was covered.

Mr. STEPHENS. Then you need not answer. I just want to get at a few things so as to clear up the record.

Mr. WILSON. I would like to say there, because I think it would be interesting probably to all of you gentlemen, that we are a little different from the other packing concerns in this respect, that our statement is a combined statement covering all of our subsidiaries and all of the income from the affiliated companies.

Mr. STEPHENS. And this 2.05 per cent then covers every sort of income of your company.

Mr. WILSON. Yes, sir.

Mr. STEPHENS. That includes all subsidiaries of every kind and character.

Mr. WILSON. Yes, sir; that is on the turnover.

The CHAIRMAN. But not the foreign business as I understood.

Mr. WILSON. Yes; on the foreign business.

The CHAIRMAN. That is included?

Mr. WILSON. Yes, sir; that is different, of course, from the Food Administration figures. The Food Administration figures do not include those. The Food Administration figures include only the controlled business; that is, that part of the business that came under the Food Administration regulation.

Mr. STEPHENS. The point I want to clear up is whether your entire profits of every kind and character are included in that 2.05.

Mr. WILSON. Yes, sir.

Mr. STEPHENS. Now, the subject which I think is of the most importance to me and probably to this committee is the proposed legislation. We have not yet had a witness before us who could suggest any sort of legislation that would improve the conditions that are complained of by both the producers and the consumers. So I would like to ask you whether you believe the main difficulty or rather the greatest number of complaints are coming from the producing end or the consuming end.

Mr. WILSON. I think this investigation is the outgrowth of complaints from the producers, but I think those complaints are not based on their experiences during the past few years, but possibly on their experiences during a number of years, many years ago;

and I want to say that I do not think those complaints represent the feeling of the producers as a whole. This complaint, if my size up of the situation is correct, starts with what is known as the market committee of the National Live Stock Association.

Now that market committee, or that National Live Stock Association, does not represent the producers of this country. In the first place, they do not claim to represent many of the producers of cattle west of the Missouri River. They do not represent any—I think I am correct in this—they do not represent in the sense of an authorized representation the hog raisers of the country at all, and only in a limited way. I think, the sheep raisers; and many producers in the country are well satisfied with the conditions that now exist; and this representation which I think is the basis of these hearings grows out of situations that these men who are back of it had experiences with many, many years ago, and I do not think they represent the true conditions of the farmers or the producers. Now, I do not want you to get the impression that I am criticizing the work of that American National Live Stock Association, because I think that association probably has done a lot of good, and I believe that they might have done a lot more good, and I believe they might have done a great deal of good in this matter, had they started out with the idea of constructing something rather than destroying something. And, in saying that, I say it purely to give you my view of the situation and not to criticize them.

Mr. STEPHENS. As I understand it, we all recognize that the conditions are now fairly satisfactory to the producers due to war conditions, but they anticipate that as soon as this war is over, we will go back again to the same old conditions of wild fluctuations of prices, so that the producer is so uncertain of the result that he hesitates to go in the business. Now, what in your judgment makes the market for meat animals?

Mr. WILSON. I think a number of things. I think the law of supply and demand controls the market.

Mr. STEPHENS. The need of the packers for supplies and the need of the consumers for meat?

Mr. WILSON. Yes, sir; that to a very great extent controls the situation.

Mr. STEPHENS. But you never bid more for a meat animal than you are compelled to bid for it by reason of the competition you have?

Mr. WILSON. I beg your pardon.

Mr. STEPHENS. I say you never bid more for a meat animal than the competition requires; that is, in buying meat animals for slaughter you bid just what the competition requires that you should bid in order to get the animals or the necessary supplies to keep the plant going.

Mr. WILSON. That is not always so. During the past few months on the hog market, for instance—

Mr. STEPHENS (interposing). Of course, that is arbitrary. The law compels you to do that, or the agreement you have; but I mean ordinarily.

Mr. HAMILTON. I do not think he finished that answer.

Mr. WILSON. I was going to say under the arrangement for the stabilization of the price of hogs, in many cases we have bid more

than the competition required us to bid, and in many cases more than the seller of the animals asked for them, in order to carry out the instructions of the Food Administration and the agreement that we made with them and the producers.

Mr. STEPHENS. The price paid for meat animals in a great measure depends largely on the ease with which you pass the dressed meat on to the consumer. If the demand is great and it passes freely you bid up liberally.

Mr. WILSON. Generally speaking that would follow; yes, sir.

Mr. STEPHENS. Then the consumer really keeps the price of meat animals down if he refuses to buy, and if he buys liberally the prices of meat animals advance; that is the general operation, is it not?

Mr. WILSON. I think generally that is correct; yes, sir.

Mr. STEPHENS. Then the producer is really, as a matter of fact, at the mercy of the consumer and the distributor. He has no option in the matter at all. He has to take whatever the consumer forces you to pay?

Mr. WILSON. No; I would not say that. I think the producer has a say—a pretty strong say—in the price he takes for his stuff. The men who represent him on the market are pretty familiar with the condition of the consuming market in the East and all over the country. They are awake to the situation and they are constantly striving to keep the level at a point where it will show a satisfactory return to the owner of the stuff.

Mr. STEPHENS. Still, that is a very narrow field in which he has an influence. He certainly could not run up the price of animals in Chicago, for example, or in Omaha, above the prices in other market centers without disturbing the equilibrium of the whole system of distribution. The margin is very narrow in which the commission man can influence the price.

Mr. WILSON. Well, that depends upon the conditions. At times he has considerable influence. At times of short receipts, for instance, he has a very great influence.

Mr. STEPHENS. Certainly, the producer has no way of protecting himself when his stuff is sent, because he has got to market it; or when he is out of corn it has got to go to market, and when the stuff is fat he loses if he feeds it any longer. He has to sell whenever that product is ready for the market, and he has to sell at whatever the market is that day. I think that is a fact, is it not?

Mr. WILSON. Substantially so on fat stuff. He has within a limited period got to market that stuff. Of course, he can manage to hold it for days or maybe for weeks without any substantial loss, and in the meantime he is in touch with the market. He is advised every day by his commission man, either by letter, telegram or telephone, and he is in pretty close touch with the market and they consult with each other, and he is pretty close to the situation before he ships them as a rule.

Mr. STEPHENS. But when he sells it, he sells it without any regard to the cost of production; that is a fact, is it not—that is, you do not buy the stuff with any regard whatever to what it cost to produce it.

Mr. WILSON. I think the cost has considerable bearing.

Mr. STEPHENS. I would like for you to tell me, when you go out in the market to buy beef, where the cost of production has any relation to the price.

Mr. WILSON. Our buyer when he is out in the yards buying beef, and all the buyers are in contact by representation with the owner of that stuff—

Mr. STEPHENS. Does he ask him what it cost him to produce it?

Mr. WILSON. No; he asks how much he wants for it, to start with, and they naturally have had experience—they are experienced men and most of them are men who have had experience themselves in the feeding and raising of cattle, and they naturally keep in pretty close touch with the situation. They see that side of the situation because they are among them all the time, and the commission men are singing that song all the time. They never overlook an opportunity if the market is depressed to show our men that this is below cost of production, and that is true of the newspapers, and everybody else, and the figures are there, and the agricultural colleges are keeping that subject before our minds all the time and before the minds of our buyers all the time.

Mr. STEPHENS. You would not pay any more for it if it was below the cost of production. How could you compete with the other packers if you did that? You would have to go out of business.

Mr. WILSON. We do pay more at times.

Mr. STEPHENS. A fraction, perhaps, but that does not cut any figure in the main body of prices which the producer gets.

Mr. WILSON. No, but what I mean to convey is, that that atmosphere has an influence on the general proposition always. It is always there.

Mr. STEPHENS. You see that the market is leveled up.

Mr. WILSON. It keeps before the buyers and the people generally the cost of production.

Mr. STEPHENS. The point I want to get at is whether or not we can find any solution for stabilizing of the price, and creating, if possible, a relationship between the cost of production and what the meat is sold at; that is what I am trying to get at in these inquiries. Now, I think most of the men, in fact all of them who have been on the stand here, have admitted that there is absolutely no relationship whatever and nobody ever pretends there is between the price of meat animals and what it costs to produce them.

Mr. WILSON. Well, I would not agree with them. There have probably been men here whose experience is worth more than mine, perhaps, but I do not agree with them entirely.

Mr. STEPHENS. I have propounded those questions to all your competitors, and they have all admitted that practically there is no such relationship.

Mr. WILSON. I do not always agree with my competitors.

Mr. STEPHENS. Now, Mr. Wilson, here is a suggestion I want to submit to you for your candid opinion. It may be worth something or it may not. I think the testimony of every one is that meat animals can not be graded on their feet as you grade grain.

Mr. WILSON. Utterly impossible.

Mr. STEPHENS. Now, can they be graded after they are slaughtered. Is that a practical proposition?

Mr. WILSON. No; it is not practical. Now let me tell you why and I think you will recognize it right away. There is as much difference in meat animals as there is in people. There are not any two people alike, you know, and there are not any two animals alike. You will get some that look very much alike alive, and those two that look the nearest alike alive will look a great deal different or more different dead than two that looked less alike alive. And while that is an exaggeration of the situation, there are differences in every animal somewhere, and those differences have influences more or less on the value of those animals in meat.

Mr. STEPHENS. Now, when you get a carload of beef animals, can not you slaughter that carload of beef animals and after it is slaughtered, will it not fall within a certain number of grades, maybe three grades; but it will naturally fall within certain grades after it is slaughtered, will it not?

Mr. WILSON. You might on one car, but then on the next car it would fall into a dozen grades or fifteen grades, or as many grades as there are cattle in the car.

Mr. STEPHENS. Is there any difficulty in your grading after it is slaughtered. You know whether it is prime beef or not, and whether it will fall within a certain range. You have to sell it according to some standard when you go to market it.

Mr. WILSON. We sell it when it goes to market on its individual merits. The man who buys it comes in there and looks at it, picks it out, and the man who sells it trades with that man on the individual merits of that carcass of beef, and on nothing else.

Mr. STEPHENS. Are there so many different grades of meat? How many would you say there are in the average run of fat beef?

Mr. WILSON. Oh, a great many, and it will vary.

Mr. STEPHENS. A dozen?

Mr. WILSON. That will vary according to the season as we go along. You have so many different conditions; you have have your corn-fed cattle, you have the distillery-fed cattle, you have the grass-fed cattle, you have the slop-fed cattle, and then the part grass and part corn fed cattle, and the short-feed cattle, and the long corn-fed cattle—there are so many conditions that enter into it that it is an endless proposition.

Mr. STEPHENS. Now, you either have to guess at the price you pay for that stuff or else ascertain the grade of it when you go to sell it?

Mr. WILSON. I did not just get that.

Mr. STEPHENS. When you buy it, you buy it by guess; that is, you guess that these animals will grade such and such a grade, and you pay for them according to your estimate?

Mr. WILSON. Yes, sir.

Mr. STEPHENS. It may be right or it may be wrong, and you may cheat yourself or you may cheat the customer?

Mr. WILSON. Yes, sir; that is according to the estimate of our buyer.

Mr. STEPHENS. Now, when you go to the slaughterhouse with it and slaughter it, you dispose of it then at various prices that you place upon the quality of that stuff?

Mr. WILSON. No; we do not dispose of it then at all. We ship it. We break up maybe that car into half a dozen different lots, and they go to different markets scattered throughout the country.

Mr. STEPHENS. Then your local agent who disposes of it places an estimate on the relative value of the different carcasses?

Mr. WILSON. Yes; I presume—

Mr. STEPHENS (interposing). Then he grades it. Of course, the point I am trying to make is that if it is not practicable, of course, the theory—

Mr. WILSON (interposing). Just let us take that same car. The agent in the country may not see, no agent may see, half of those cattle because they may grade into cutters or into canners, or they may be condemned, nobody can tell. A great many of them are condemned, and the agent only gets finally—I mean, if what is left of that lot of cattle is shipped out to our branch houses, the combined judgment then not on the entire car but only on a part of the car that was shipped, because part of it may never leave the packing house in the shape of dressed beef.

Mr. STEPHENS. If it is not practicable, of course, the suggestion I had in mind—and you no doubt have thought of it many times yourself—would fail, and would not be of any service to us; but when a man out at a country elevator buys a carload of wheat he sells it that day on the market because it may be six weeks before the wheat itself can ever get to the market, and wheat may be 10 cents a bushel higher or 10 cents a bushel lower. He sells it that day on the market to avoid any loss.

Mr. WILSON. Yes.

Mr. STEPHENS. Now, then, my thought was this, to avoid the tremendous loss that feeders sustain—because out in my country dozens of them were bankrupted in 1915. I could count in my own neighborhood eight or ten men, three or four of whom all but lost their farms because they had filled up their feed yards.

Mr. WILSON. Was that the time of the foot-and-mouth disease?

Mr. STEPHENS. Yes; and then when they got their whole corn crop into those animals and took them back to the market, they not only lost their corn crop but very nearly lost their farms besides. Now, what I am trying to get at, Mr. Wilson, is this: As long as these fluctuations in prices prevail, no man with certainty can feed cattle. He might just as well gamble on the board of trade and be done with it. There is not any sense in his going to all this trouble of hauling out manure and hauling feed in to the animals if this is to be merely a gamble; now, if this matter of grading the slaughtered animals is feasible and practicable I can see then how, when the producer goes to the stockyards and buys his carload of stockers, or attempts to buy them, he would immediately find out, first, what are fat steers going to be worth on the future market, six months hence, just as he does on his grain.

Mr. WILSON. Now, just follow that—

Mr. STEPHENS (continuing). And then he would hedge on the price of his cattle and he would maintain an equilibrium between the price of feeders and the price of fat animals, because he would not buy his feeders unless there was a spread between the cost of those feeders and the cost of the fat beef he was then contracting to dispose of six months hence after he had fed his corn crop. Now, if the slaughtering and grading of the animals is feasible, it appears to me that we can deal in the future exactly as we deal in grain; in other

words, hedge or protect ourselves against this wild fluctuation in prices that takes place between the day the producer buys the feeder and the day he brings it back fat.

Mr. WILSON. Of course, that plan is not feasible, and then I question whether it is a desirable thing to undertake to legislate to cover a very unusual situation. The situation that you referred to in 1915—

Mr. STEPHENS (interposing). There is always—

Mr. WILSON (continuing). That was an outgrowth of a calamity in the country.

Mr. STEPHENS. It certainly was.

Mr. WILSON. And it had to be handled, and, of course, all those cattle were rushed to the market and there was no outlet or no market for them. That was a very unusual condition.

Mr. STEPHENS. I know that.

Mr. WILSON. And probably in our experience will never happen again. I hope it will not. Now, the fluctuation of the market, to my notion, is caused primarily by the over and short supply on the market. Now, you do not have to grade the cattle and grade every carcass of beef if the cattle are intelligently marketed, and that is a point I touched on yesterday; some cooperation between the Government and the packers and the producers to stabilize these receipts, as has been done during the past three months on hogs, the results of which I think you know, because I see you are intelligent on the question. This will eliminate, I think, a great deal of the difficulty of the producer. Of course, we must not—the packer can not and the producer must not—lose sight of the fact of the great consuming people. They have to be considered.

Mr. STEPHENS. I propounded that question as suggested by your answer to Mr. Armour or to Mr. Swift, I do not remember now just which one.

Mr. WILSON. Well, I went into it pretty extensively yesterday, as to my thoughts on the matter.

Mr. STEPHENS. Then you are in sympathy with the idea that some sort of a system might be worked out whereby the Government, the producer, the distributor, and the consumer might cooperate with a view to stabilizing these prices, so that these violent fluctuations would not be creating this enormous waste.

Mr. WILSON. Quite so. I am very much opposed to these severe fluctuations. They are hurtful to the producer, I know, and they are not helpful to the packer. I think they are bad things and I would like to see them eliminated. I would like to see the producer get a fair price for his stuff as he goes along, a profit on his investment and some fair consideration for his labor and his experience, and yet I would not like to see it up to a point where the consumer has got to carry all the burden; that is, an excessive burden or an unnecessary burden, and I do not think that is necessary. I think, and I have always thought and I have stated it many times, that a great many of the troubles of the producers would have been eliminated, especially during the past three or four years, if they had been willing to sit around the table with us and thresh out their troubles and reach a common ground, never losing sight of the interests of the consumer. Now that has to be worked out with the cooperation, in my opinion, of the Department of Agriculture.

Mr. STEPHENS. Well, I would suggest, Mr. Wilson, that while your organization is together down there—I mean this organization of consumers, producers, and distributors—that you work out some sort of system that is intelligible and one that can be put into operation and suggest it to us. In my judgment there has been no solution yet offered to this committee that is worth anything.

Mr. WILSON. I was invited out to Missouri by the farmers of Missouri last week to talk to them, and that included the Missouri Live Stock Association, which I addressed on the following day, and the substance of my talk was along those lines, and I think that can be brought about by a proper organization of the producers, to start with. I think that has been a great weakness. They have not been properly organized, organized on the basis of constructive work, and I think that is to be regretted, and I believe that ultimately something along that line will happen. I do not know just when, but I think it is bound to come, and, as I stated to those gentlemen, and as I will state to you, my sincerity in that suggestion is surely shown by the recommendation, because if I did not feel that it was in the interest of the general industry, I certainly, as a packer, would be able to handle a disorganized organization of the producers better than I could a well-organized one, if I wanted to take advantage of it.

Mr. STEPHENS. It certainly is not to your advantage to have the producers play a gambling game in furnishing you your raw material.

Mr. WILSON. It is not; and in my opinion that difficulty can be pretty much overcome by intelligent handling of the situation on the part of the producers. They have plenty of brains in the country. Some of the smartest men in the country are producers or feeders of cattle, and if they will take those brains and put them together and get back of them and give them authority, a great deal of their trouble will be overcome, because those men can cooperate. If they will meet with the packers and cooperate with the Government, with the idea of improving the whole situation, good will be the outcome, and it does not require any legislation to do that.

Mr. STEPHENS. It ought to be done before this food control is released.

Mr. WILSON. I do not think that is necessary. I do not think food control is necessary. I have no objection to the food control. I want you to understand that, but I think the Department of Agriculture has the machinery to do it just as well.

Mr. STEPHENS. They may have the machinery, but they have not the power to do it. They can not affect prices at all as it stands now.

Mr. WILSON. They do not have to touch on the price question at all.

Mr. DECKER. Let us not misunderstand this matter. You and Mr. Stephens are seemingly agreeing, but knowing Mr. Stephens as I do, I think you have something in your mind about the food administration fixing the price.

Mr. STEPHENS. No; I have not. I think there should be some sort of an arrangement whereby there should be a relationship, well defined, between the cost of production and distribution, so that it would not be a gamble, as it is now. For instance, in the stabilizing of the production of wheat, whether it be \$2 a bushel or \$1.50 a bushel or \$1 a bushel, if it can be fixed from year to year so that the man who is going to grow the crop knows how he is going to come out, he will

grow it and not be in doubt, and have an absolute certainty about it, and the country would never be in any question about the food supply.

Mr. WILSON. Understand, Mr. Stephens, I am not saying it is possible to stabilize or to set a price from season to season or from month to month on live stock or food animals; but I am saying that a lot of these fluctuations and a lot of the difficulties that the industry has been up against can be eliminated by proper cooperation.

Mr. STEPHENS. I think that is all I have to ask, Mr. Chairman.

The CHAIRMAN. I believe the next member on the call is Mr. Winslow.

Mr. WILSON. Mr. Chairman, may I follow up that statement I made in answer to Mr. Stephens?

The CHAIRMAN. Certainly.

Mr. WILSON. In connection with that visit I made to Missouri, I made it my business to inquire of practically every man I met out there, whether he was represented—that is, every producer or feeder I met—whether he was represented through the National Live Stock Association, and I think I can say I got a negative answer from every one of them; and in that connection I would like to read here a clipping, or a copy of a clipping, from the Denver Post, of January 23, 1919, headed "Montana Opposes Live Stock Control."

ASSOCIATION WILL WITHDRAW FROM NATIONAL BODY IF BILL IS INDORSED.

HELENA, MONT., January 23.

The Montana Stockgrowers' Association, in session here Wednesday, went on record against Government ownership and operation of live stock facilities as proposed by the Sims bill now before Congress and said to have the indorsement of the National Live Stock Association.

The Montana association also notified the national body that if it indorsed the legislation contemplated by the Sims bill, which would have the Government take over packing plants, stockyards, refrigerator cars, and other facilities, the Montana association would withdraw from membership.

Now, I have had a number of letters from stock raisers and feeders and breeders around the country. I am not going to burden you or the record with those. I just want to cite one instance of a gentleman I met this morning, Mr. Warren McRea, of Kentland, Ind., who is one of the largest breeders of Hereford cattle in this country; and he told me his name appears as a director of that association, the National Live Stock Association, but that he has never attended a meeting and has never been consulted in any shape on the matters that they have been undertaking to handle, and that he never knew who made him a director or why he was made a director.

Mr. WINSLOW. Mr. Wilson, I would like to ask you to tell us what properties represented by securities Sulzberger & Sons Co. had to sell to the bankers.

Mr. WILSON. They had their packing plants in Chicago, they had a packing plant at Oklahoma City, and a packing plant at Kansas City—

Mr. WINSLOW (interposing). To save time, I do not care what the physical properties were, but what the securities were that they had to sell. What did Sulzberger & Co. own?

Mr. WILSON. You mean what was their stock issue at that time?

Mr. WINSLOW. Yes.

Mr. WILSON. Twenty million dollars of common and \$10,000,000 of preferred stock.

Mr. WINSLOW. They had that as an equity of their own?

Mr. WILSON. Of course, the stockholders had that.

Mr. WINSLOW. Yes.

Mr. WILSON. And the Sulzbergers had all of the common stock at that time, when they opened the negotiations with the bankers, but only a portion of the preferred stock.

Mr. WINSLOW. So that what they actually sold or what was offered for sale was the common stock to the extent of \$20,000,000, and the preferred stock under some kind of an arrangement, I presume?

Mr. WILSON. No; I do not think their transaction ever contemplated the sale of their preferred stock which they had.

Mr. WINSLOW. So the preferred stock never came into the hands of the bankers?

Mr. WILSON. No.

Mr. WINSLOW. Then we can disregard that in following out the development of the financial transactions thereafter?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. For what consideration did they turn over the \$20,000,000 of common stock to the bankers?

Mr. WILSON. That consideration was, as I stated yesterday, an agreement on the part of the bankers to finance a bond issue sufficient to take up the then maturing \$8,000,000 of debentures, and furnish some additional capital in the business. I am not clear as to the total amount, but I think they contemplated about a \$15,000,000 bond issue to take up the \$8,000,000 of outstanding debentures, which were about due, and furnish the additional money for working capital, and then a certain price, the amount of which I do not know, Mr. Winslow, for the common stock. They paid something for some of the common stock. That transaction I have not in my mind, and I have not tried to refresh myself on it, because it is fully covered in the Federal Trade Commission report, and it is something I was not interested in because it all happened prior to my having anything whatever to do with the company.

Mr. WINSLOW. Were the Sulzbergers and those you might call their immediate associates, the directors and officers of the company, appearing in any way as security on loans or other obligations of the corporation—

Mr. WILSON. Were they at that time?

Mr. WINSLOW. From which they were getting release by virtue of this transfer?

Mr. WILSON. I do not know, Mr. Winslow.

Mr. WINSLOW. I will tell you just what I am trying to establish. I want to find out just what the object of Sulzberger & Co. was for selling out, and who was benefited by it among those connected with the original corporation.

Mr. WILSON. Well, I think their object probably was to protect what they would have left. I think they felt at that time that they were due for a collapse in the business. I think, in other words, they expected, unless something radical was done, that that business was going to fail, and they wanted to protect their preferred stock interests and make some value or to attach some value to what might be left to them of any common stock that they kept.

Mr. WINSLOW. So it is fair to assume that the company was in such straits that those who controlled it despaired of its future and

felt that whatever nominal investment they had in the company would become virtually worthless unless taken over by somebody else.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And in order to protect whatever book value they had, or real value, in the preferred securities, they were willing to let the whole thing go into other hands.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Now, that puts aside the Sulzberger interests.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And brings it up to the bankers.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Now, the bankers of course, being bankers, had to operate what came into their hands in a way to make some profit out of it, and as I understand it, they proceeded to make an arrangement with you, and also to furnish necessary capital for refunding and for increasing the working capital of the company.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. The refunding was done on the debentures.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And \$8,000,000 of them were cared for.

Mr. WILSON. That was done after I went with them, or at that time.

Mr. WINSLOW. How much new capital actually went into the company as working capital?

Mr. WILSON. Well, the sale of \$15,000,000 of bonds less the \$8,000,000 that were outstanding at that time. Then an additional \$5,000,000 of bonds were sold of the same series later, and then recently \$20,000,000 of 10-year debentures went into the business.

Mr. WINSLOW. But no money from the sale of shares of stock at all.

Mr. WILSON. No, sir. Well, there might have been—but it would be so small; we had a little preferred stock in the treasury that had not been issued, and that was authorized, and I don't remember the amount, but it might have been a quarter of a million dollars.

Mr. WINSLOW. As far as the present corporation is concerned, how much will they have to pay out of their earnings to make the difference between the amount they pay for the retirement of their bonds and debentures some day, and the amount at which those securities were issued?

Mr. WILSON. Well, all these sales were not—

Mr. WINSLOW (interposing). You may group them as nearly as you can. They sold at 90 or more to the bankers.

Mr. WILSON. Well, speaking roughly, I would say that would cost the company between three million and four million dollars. It will cost between three million and four million dollars.

Mr. WINSLOW. Ultimately, that is the cost.

Mr. WILSON. Yes, sir. But that is, of course, against paying interest on borrowed money, which might more than offset that.

Mr. WINSLOW. It might be, I can see.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Will you kindly tell me if I am right in this conclusion: That the bankers, by their operation of the assets, succeeded

in establishing a going business, doing the work that you are doing, of over \$400,000,000 a year, giving employment to over 20,000 people, furnishing the Government another competitor, and placing such products as you furnish upon the market for consumers, without which we would have had, as an alternative, a broken-down concern which would have been removed from the industry altogether save for a few physical assets that they might have sold to some other packer.

Mr. WILSON. That is true, and there is no question about that.

Mr. WINSLOW. We may sum it up in this way: That these bankers, by this operation, maintained the integrity of all of the preferred stock, of all of the outstanding bonds and debentures, all of the merchandise creditors, and all the common stock so far as we can see at the present time, at the present rate of progress.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Well, it would seem to me they had done something for the country in that matter.

Mr. WILSON. They surely have.

Mr. WINSLOW. Are any of your dividends cumulative?

Mr. WILSON. Our preferred dividends are; yes, sir.

Mr. WINSLOW. But not on the common.

Mr. WILSON. No, sir.

Mr. WINSLOW. So that if you go on for a little while without paying dividends on the \$20,000,000 worth of common stock, you undoubtedly will make up all the bonus you had to pay for the floating of the bonds and reinsuring the existence of that corporation?

Mr. WILSON. We have already done that, sir.

Mr. WINSLOW. And that has been done and charged off.

Mr. WINSLOW. Yes, sir. That is, it was all charged off except this last bond issue, which only happened a month ago.

Mr. WILSON. Well, that is in the regular course of a going business which is successful.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And all that has been done as the result of that turnover from the bankers in a period of four or five years.

Mr. WILSON. Three years.

Mr. WINSLOW. Now I would like to ask you what gross profits you have made since the turnover from the old corporation to the new?

Mr. WILSON. When you say "gross profits," that is before interest and depreciation?

Mr. WINSLOW. Well, let us have it that way.

Mr. WILSON. Thirty million dollars.

Mr. WINSLOW. Thirty million dollars in three years?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. That is 10 per cent on the capitalization on how much at par value?

Mr. WILSON. Do you say 10 per cent on capitalization?

Mr. WINSLOW. No; I ask what the percentage is.

Mr. WILSON. On our capitalization?

Mr. WINSLOW. Yes, sir.

Mr. WILSON. Substantially 100 per cent. But that is gross, you understand.

Mr. WINSLOW. Ten million dollars a year, is it?

Mr. WILSON. No; I was figuring on the three years, in speaking of \$30,000,000.

Mr. WINSLOW. Oh, \$10,000,000 a year. Well, what would that be on an average on the percentage basis?

Mr. WILSON. 33½ per cent gross.

Mr. WINSLOW. And about 11 per cent a year?

Mr. WILSON. No; our profits were \$30,000,000 for the three years.

Mr. WINSLOW. And your annual profits were \$10,000,000?

Mr. WILSON. Yes, sir; on the average.

Mr. WINSLOW. You made a gross profit of 33½ per cent a year?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. What is your system of depreciation, without going too much into detail?

Mr. WILSON. We have a regular basis on which we charge it off. That varies, however, according to the nature of the building. Our percentage of depreciation varies according to the nature of the building.

Mr. WINSLOW. For instance, take an office building, what would you charge off on that?

Mr. WILSON. One minute, let me get that.

Mr. WINSLOW. Never mind; we will not take the time for you to look it up.

Mr. WILSON. Well, it will only take a minute and I would like to give it to you. I find the office building happens to fall under what I call class 1, and that is a brick, steel, and concrete building, and our depreciation on that class of building is 4 per cent.

Mr. WINSLOW. Four per cent?

Mr. WILSON. Yes, sir. Of course, that would also apply to any building of that type in the plant, where naturally the depreciation would be greater.

Mr. WINSLOW. Just give us one or two other items in order to show the general run of your depreciation. Take wagons or automobiles.

Mr. WILSON. Horses, trucks, and harness, 12 per cent. That is, a wagon drawn by horses, 12 per cent. On automobiles the depreciation is 25 per cent.

Mr. WINSLOW. And what on furniture?

Mr. WILSON. Well, that would come under the outside equipment or movable equipment. On movable equipment we charge off 8 per cent. That takes in truck and tables.

Mr. WINSLOW. Now, as to your transportation and rolling stock?

Mr. WILSON. On the cars?

Mr. WINSLOW. Yes.

Mr. WILSON. Refrigerator cars 3 per cent.

Mr. WINSLOW. Three per cent annually?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Can you get away with that?

Mr. WILSON. Well, that is pretty small.

Mr. ESCH. I think the testimony of some witness was that the life of a refrigerator car was from 10 to 15 years, on account of the moisture and rust and all that sort of thing.

Mr. MONTAGUE. And, if you will pardon me, the gentleman who testified with such detail about refrigerator cars, I think he was from Swift & Co., wasn't he?

Mr. ESCH. No, sir; he was testifying for the Cudahy Packing Co.

Mr. MONTAGUE. Well, he said the life of the car was 10 years.

Mr. WILSON. Well, I am free to admit that I think our rate is too low on the cars.

Mr. WINSLOW. You probably have all that information tabulated and sent out to your appraisers or bookkeepers, as to the amount you charge off?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Will you file one of those schedules?

Mr. WILSON. I will be very glad to do so. I have a statement which will cover the whole business and now give it to the stenographer.

(The statement referred to is as follows:)

DEPRECIATION CHART.

Class A buildings, brick, concrete, and steel, 4 per cent per annum.

Class B buildings, brick, concrete, and mill, 5 per cent per annum.

Class C buildings, brick, steel, and mill, 6 per cent per annum.

Class D buildings, brick and semimill, 7 per cent per annum.

Class E buildings, frame and ironclad, 8 per cent per annum.

Outside equipment (pipe lines, etc.), 5 per cent per annum.

Fixed machinery, 6 per cent per annum.

Movable equipment, 8 per cent per annum.

Branch houses: Buildings and permanent fixtures—owned properties, 6 per cent; rented properties, 8 per cent; movable fixtures, 8 per cent; refrigerator cars, 8 per cent; horse, truck, and harness, 12 per cent; auto cars, 25 per cent; heavy trucks, 25 per cent; Fords, 50 per cent; salesmen automobiles, 40 per cent first year, 30 per cent second year, 30 per cent third year.

Mr. WINSLOW. What is the relation between your depreciation account and your expense account, so far as the expense of keeping up the property is concerned?

Mr. WILSON. Do you ask, what is the difference?

Mr. WINSLOW. No; what is the relation between those? And I had better explain what I mean. Do you keep up your properties by an expense account and then allow a depreciation beyond that upkeep?

Mr. WILSON. Well, to a certain extent we will charge up repairs to expense account. Other times, we will charge up to depreciation account. Repairs that are very small items, in the general run of things, we would charge up to expense account, jobs that run, maybe, under \$50. But our big repair jobs, that do not create any new property, or anything of that kind, large jobs, we charge up to the depreciation account.

Mr. WINSLOW. Suppose you had to lay a new floor in a car because the old one was worn out. Would that come under expense account or be swallowed up in depreciation?

Mr. WILSON. The entire new floor in a car would probably come under the depreciation account.

Mr. WINSLOW. Now, getting on to that unhappy subject, salaries.

Mr. WILSON. Why so unhappy?

Mr. WINSLOW. Well, because you are the fellow getting it and I am not. If you ask my view at the moment, I will just give that answer. Am I right in feeling that the salary list of a corporation is a sort of movable feat, for which there is no rule of government?

Mr. WILSON. No rule of government?

Mr. WINSLOW. No general rule to govern the salaries of a corporation.

Mr. WILSON. That is correct. That is governed by the merits of the man with us.

Mr. WINSLOW. That may be with you, but isn't it a fact likewise that every corporation has its own peculiar method of viewing the salary account?

Mr. WILSON. I think so.

Mr. WINSLOW. Wouldn't it be fair to assume on general principles of business that if Mr. Armour, the president of Armour & Co. takes but \$25,000 a year in salary, that he has a special method in doing that as contrasted with Morris & Co. and your company which pay much bigger salaries.

Mr. WILSON. I think undoubtedly that is so; yes, sir.

Mr. HAMILTON. Mr. Winslow, I wish you would illuminate the words "special method."

Mr. WINSLOW. As your request I will try to do so. But I will do it as I go along. Isn't the rule as to extravagance or economy in respect to salaries of corporations measured by the amount of salary paid per dollar of business transacted, coupled with the peculiar responsibilities attached to each office?

Mr. WILSON. I think to a great extent that may be true; of course, also coupled with the ownership that the officer may have in the company.

Mr. WINSLOW. That is the "special method" that I referred to, Mr. Hamilton. That is another way to get a salary.

Mr. HAMILTON. In other words, Mr. Winslow, you mean that the salaried officer may get in other ways a compensation which would make up the difference between his salary as paid by the corporation by which he is employed, and the salary paid by another corporation for like service.

Mr. WINSLOW. Yes, Mr. Hamilton, but some corporations pride themselves on having a low salary list. Some give a bonus for services rendered at the end of a period. Some concerns pay their presidents low salaries in order that they may keep their list of salaries down all through the business. In such cases, the president or other officer will be a large stockholder, and virtually they will get through their stock ownership what they may not get by way of salary. Mr. Wilson made his position very clear as contrasted with that of Mr. Armour, where the Armour family own practically all of the stock, by saying that when he became president of Morris & Co. that was the only interest he had, so that if his services had a market value as executive director of Morris & Co., that \$125,000 a year salary paid to him marked the limit of the return to him. He had not accumulated a principal by which he could buy into the company, and perhaps could not buy it at all. But if he and his wife and children and brothers owned the whole of that stock, he might very easily turn around and with Armour & Co. say: Now, down goes my salary to \$30,000 a year, because I do not want to set the example of big salaries. On the other hand, going in as he did, and selling his abilities to the highest bidder, we will say, or to the most favorable bidder to his own mind, he takes all they will give him. He had justification for that.

Mr. HAMILTON. But subsequently, however, he gets good returns on the stock.

Mr. WINSLOW. The low-salaried man, but not Mr. Wilson.

Mr. HAMILTON. But he will get a dividend on his stock in Wilson & Co.

Mr. WILSON. I have never had a dividend out of Wilson & Co.

Mr. WINSLOW. Well, that is in prospect, under some conditions.

Mr. HAMILTON. His stock values are going up under his efficient management.

Mr. WINSLOW. Yes; but he had a chance to lose it all if the business had not been made a success by him. He did not have it locked up in his safety vault and when a dividend is declared it only goes to pay the interest and help a little bit to pay out on his stock. He had to make good before his stock was worth anything, and if he had failed to make good, neither his stock nor his salary would have been worth very much.

Now, Mr. Wilson, I will go ahead without taking up too much time. In the case of Armour & Co. they have 13 executive officers, 8 of whom bear the name of Armour. Might it not be that those 13 officers in their combined salaries, if distributed over the amount of business they do, would represent a bigger outlay for executive direction perhaps than the similar outlay on the part of any other packer?

Mr. WILSON. That might be possible; yes, sir.

Mr. WINSLOW. That could be possible?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. In the case of the Swifts, they have nine directors and five of them are Swifts.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. I do not know whether they are brothers or not.

Mr. WILSON. They are all brothers.

Mr. WINSLOW. It might be that the Swift family altogether would be taking combined salaries which would make the expense of those five officers much greater per dollar of business done than the expense of the same work represented by the officers of your own company. I say, that might be.

Mr. WILSON. That might be; yes, sir.

Mr. WINSLOW. So that it would not be fair, without going into this thing in great detail, to say that the cost of the executive direction of your company, at the rate of your salary, was any more in relation to the business done than the cost of similar direction in any other one of the packing companies.

Mr. WILSON. Oh, I think that is right. I do not think that the cost of the direction of our company should be influenced or controlled by the cost of the executive direction of any of the other companies. I think ours could well be treated from its own standpoint, on merit, and stand on its own bottom in that respect, and I think it will stand closest scrutiny.

Mr. WINSLOW. So that the only way anybody could find out whether or not the salary lists of any one of these companies, or of all of these companies, were too high, would be to contrast it with similar work done in other directions, in other lines of business.

Mr. WILSON. That is right.

Mr. WINSLOW. I would like to ask you, Mr. Wilson, to tell me to what extent the class of business men known in the ordinary trade as jobbers figure in the distribution of foodstuffs.

Mr. WILSON. Well, they are a rather important factor. I wouldn't like to make a guess as to the proportion of the business that they do, but there are a great many jobbers in the business, a great many.

Mr. WINSLOW. Do you sell them your meats, etc., at a price which enables them to sell to the retailer and make a profit?

Mr. WILSON. Yes; they go out and compete with us on the stuff that they buy.

Mr. WINSLOW. I want to get it based on that competition. The jobber really becomes in the same class with your local house.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Or ought to in fairness.

Mr. WILSON. Yes, sir; he does.

Mr. WINSLOW. Is he in a position to sell at the same price you do, to sell to the retail trade?

Mr. WILSON. Yes, sir; he is able to.

Mr. WINSLOW. I mean in places where you have branch houses.

Mr. WILSON. Well, I think in some cases yes, and in some no. It depends, of course, upon the extent of his operations.

Mr. WINSLOW. I do not mean about his expense account but on his purchase price—the price he pays for your goods.

Mr. WILSON. On the basis of his purchases he can.

Mr. WINSLOW. If he conducts his business at a reasonable expense he can meet you in the local market.

Mr. WILSON. He does do it and that is the best proof of it.

Mr. WINSLOW. Where does he get his inspiration for the establishment of his price to the retailer?

Mr. WILSON. He gets it on the market, the general market, in whatever town or city he may be doing business in. He is in touch with the buyers, of course, and he is in touch with the salesmen, and he gets it from a general size-up of the market, considering all of the conditions of supply and demand.

Mr. WINSLOW. So he carries on a semispeculative business, in the same way that you do at your refrigerator plants and sales houses?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Somebody testified here that beef was selling at about 20 cents a pound from the cars.

Mr. WILSON. Some beef at 20 cents a pound.

Mr. WINSLOW. Well, let us say at 20 cents a pound as a basis.

Mr. HAMILTON. By the carcass, do you mean?

Mr. WINSLOW. Yes, sir; what would be the price of that beef to the jobber?

Mr. WILSON. It would depend upon where he bought it and where the market is that he sold it at. If you will give me an example, I will try to answer more definitely.

Mr. WINSLOW. Take New York City.

Mr. WILSON. He would have to buy the beef at anywhere from 18 to 18½ cents, probably in Chicago.

Mr. WINSLOW. In Chicago?

Mr. WILSON. Yes; and then he would have to pay his freight and icing charges, and expense of handling at the other end, and add his profit.

Mr. WINSLOW. What would that probably net him in New York?

Mr. WILSON. Well, if the market was 20 cents, he would probably get 20 cents. He might get a little less or a little more.

Mr. WINSLOW. I mean his cost between the packing house and the jobber. You would sell it to the jobber for 18 cents at Chicago.

Mr. WILSON. Yes, sir.

Mr. WINSLOW. What would be the transportation cost in a refrigerator car to New York?

Mr. WILSON. Oh, that would be about 75 cents a hundred pounds.

Mr. WINSLOW. And that would leave him what?

Mr. WILSON. \$1.25, say.

Mr. WINSLOW. That would cost him \$18.75 a hundred pounds delivered in New York?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And his margin would be \$1.25.

Mr. WILSON. Yes, sir; that would be a very extreme case if it happened.

Mr. WINSLOW. You mean if he got it as cheaply as that?

Mr. WILSON. If he had a margin of \$1.25 after paying his expenses.

Mr. WINSLOW. I mean just for the meat itself.

Mr. WILSON. Yes; but you are adding freight and the cost of handling at the other end in cold storage.

Mr. WINSLOW. Before he puts on the local charges?

Mr. WILSON. Yes, sir; he has \$1.25 to go on for his local charges and his profit.

Mr. WINSLOW. Do you happen to know enough of the average run of the meat jobbing business so say how their fixed charges for doing business run, as they do in the hardware jobbing business and so on?

Mr. WILSON. No; I wouldn't be able to answer that question intelligently.

Mr. WINSLOW. Has there been any tabulation of profits anywhere that you know of which will indicate the percentage of profit which the jobber makes in the meat business?

Mr. WILSON. I have never seen any, Mr. Winslow.

Mr. WINSLOW. Would you dare venture an estimate of what that is?

Mr. WILSON. As to their net profit?

Mr. WINSLOW. Yes, sir.

Mr. WILSON. Oh, I don't think they operate on less than 10 per cent.

Mr. WINSLOW. Ten per cent on \$18.75 cost, which he would have to give for the 20-cent meat to sell to the retailer?

Mr. WILSON. Yes, sir. Of course, you are taking arbitrary figures, and they are all arbitrary and they will not work out exactly. You have to treat that in a general way.

Mr. WINSLOW. You divine what I am after, and I will announce it. I want to see why the price to the consumer is what it is. Anything you may do to help me build up from the packer's price of 18 cents to the price on the table of the consumer will be just what I want to get. There is a great difference between 50 cents a pound—40 and 50 cents a pound—for meat, and where does that come in?

Mr. WILSON. Well, that is one of the things, Mr. Winslow, I had hoped would be developed out of this investigation. That is one of the things promised when the investigation was started by the Federal Trade Commission, but that has not been done yet. And an investigation of that end of the business has not been made: From the packer to the jobber or middle man on to the retailer and up to the table of the consumer. That ought to be made as well as the investigation on the other end. It was at one time contemplated, and if this thing had gone on the basis of a constructive inquiry and had not been side-tracked on to the other line, the sum of money that has been spent along destructive lines would have accomplished an investigation of all of the ends of the business, and in my opinion would have put something before you men that would have given you an intelligent idea of the entire situation. That has not been done, but I hope it may be done.

Mr. WINSLOW. My views are in accord with yours on that. I want to get the benefit of such knowledge and such judgment as you have, and then I will tackle the next fellow who comes along.

We have this thing down now so that you say 10 per cent profit is what the business of the jobber is done on, and yet you allow them about 5 per cent, according to your figures. That is not much help. We go on to the retailer, whose price averages about 20 cents, buying prices. Can you tell me in a general way what tolerance charge, if we may use that word, ought to be allowed the retailer in the way of wages and so forth, on a side of beef?

Mr. WILSON. Well, now, that is a proposition I do not think I ought to be asked to answer, because it is one that, as I say, has not been thoroughly studied, and if I should give you any opinion I might have, it might do an injustice to that class of people, or some of them, at least, who may be able, if the matter were properly investigated, to justify something that I might criticize. I do not hardly think I should be asked in the absence of the result of a thorough investigation of the subject, to answer that question.

Mr. WINSLOW. I will respect your views on that, but I think we have a right to expect that you would tell us the price at which you as jobbers, acting in the jobbing capacity, sell to the retailer, which we will say, speaking hypothetically, is 20 cents a pound in round numbers, and also the price at which you sell to the jobber. You gave the price to me as 20 cents to the retailer, and 18 cents f. o. b. Chicago to the jobber, on a 20-cent basis.

Mr. WILSON. Well, that is a condition that might exist to fit in with the case that you put up, but that margin might vary, Mr. Winslow. It might go down to a difference of a dollar, or a dollar and a quarter, or a dollar and a half between our price to the retail butcher and our price to the jobber. It would vary with conditions. For instance, if we had a big supply of stuff in our house at Chicago, and a jobber came along, and our trade in the east was well supplied, and the jobber wanted some stuff, we might be tempted to sell to him on a lower basis than we would if a reverse condition existed. I have known cases where we have sold to the jobber on that basis, considerably under our cost.

Mr. WINSLOW. There is a law of averages that pertains to almost every industry?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And on that law you have a general idea about the percentage of variation between your price to the retailer and your price to the jobber, and that will help me as well as anything else you can give me at present.

Mr. WILSON. Oh, I should say it will run from 5 per cent to 10 per cent.

Mr. WINSLOW. Well, that is quite a limit in trade—5 per cent?

Mr. WILSON. Yes; but I should think it would run on that basis on beef.

Mr. WINSLOW. You wouldn't compromise as a fair statement that 7½ per cent would be the average?

Mr. WILSON. I think that would be safe.

Mr. WINSLOW. I want your view of it.

Mr. WILSON. I am trying to give it to you, and do not want to give you any rank or reckless statement.

Mr. WINSLOW. No, I do not want anything of that kind.

Mr. WILSON. I think an average of 7½ per cent would cover it.

Mr. WINSLOW. Beyond that point, you advise that we take the matter up with men who do a retail or a jobbing business?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. And as a packer you would welcome that inquiry?

Mr. WILSON. Oh, absolutely. There is nothing about our business or any element of it, that I think should be undiscovered. I think the public and the Government and this worthy body should have all the opportunities to get the particulars, and as far as the packers are concerned, or as far as my business is concerned at least, I am mighty glad to have this opportunity of putting the facts before you; and the further you go the better it will suit me. And I want to say that I do hope, while on this line, that you will follow up the suggestions that were made in your little off-the-record discussion of a few minutes ago, and bring before you men supposed to have made anonymous statements referred to, because I think, gentlemen of the committee, you will find there is no more justification for those statements than there was for the statement made in reference to Hormel & Co., and the Albert Lea business, which we discussed here on yesterday.

Mr. WINSLOW. In the matter of pork products, I suppose prices vary on different articles?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Let us take, for illustration, for the same purpose as in the beef question, the matter of bacon: You sell bacon, let us say, or what would be a fair price to put against 20 cents that I have marked down here for beef.

Mr. WILSON. Oh, 35 cents.

Mr. WINSLOW. Will the same figures hold so far as you and the retail and the jobbing businesses are concerned?

Mr. WILSON. I should think so, substantially.

Mr. WINSLOW. Seven and one-half per cent, you think, would be right for that?

Mr. WILSON. Yes, sir.

Mr. WINSLOW. Have you any judgment that you want to give and will give with respect to the probable earnings, on a percentage basis, of producers for 20 years back?

Mr. WILSON. Twenty years back?

Mr. WINSLOW. Yes; or for any length of time not a few years. I would prefer to get it before we had the war, because I think this has been an abnormal condition all around.

Mr. WILSON. No; I wouldn't want to undertake to say offhand. I think I might hunt that up for you, but there again is the other end of the question that I think should be investigated, and that should have been investigated, so that this matter, when brought up, would be a complete book and not two or three chapters of the book.

Mr. WINSLOW. What is your judgment as to the general prosperity of the business of the producer in the past?

Mr. WILSON. I think it has been good; very good.

Mr. WINSLOW. Has it been as satisfactory a business to carry on from the standpoint of earnings as the ordinary industry throughout the country?

Mr. WILSON. Yes, sir; I think so.

As an illustration of the money that is being made by the feeders of cattle at this time I have a clipping taken from the Drovers' Journal dated January 23, 1919, which reads as follows:

FEEDER CLEARS \$90 A HEAD ON STEERS.

Three months ago Bill Berrie, of Fairfield, Iowa, purchased from a local cattle dealer 20 head of 2-year-old steers, averaging about 1,000 pounds, for \$120 per head and put them in his feed lots on a ration of ensilage, corn, alsike hay, and cottonseed meal. Yesterday he sold them to a stock shipper from Corydon for \$210 per head to be shipped to Chicago.

Mr. Berrie estimates that he made all of the \$90 per head clear, as the gain on his stock hogs will equal the cost of the feed of the steers. Mr. Berrie made \$20 per day clear on his steers for every day he had them.

I do not pretend to say that every feeder of cattle is making that much profit, but I believe that where their business is being properly handled they have never made so much profit as during the last year, and I believe on the whole the business of the producer has been profitable for a number of years.

Mr. Heard, president of the National Live Stock Association, during the course of his annual address before a convention of his association held at Cheyenne, Wyo., January 18-20, 1917, in speaking of the general conditions of the industry during 1916, said:

While general conditions of the live-stock business throughout the Nation have been satisfactory during the past year, and prices for range cattle have been remunerative, there has been an exceptionally wide range of prices on cattle butchered at the six principal central markets. Owing to the drought, many grass-fed cattle were sold at bargain prices. Owing to the high price of corn, many cattle from the cornbelt were marketed before they were really finished. * * * The hog market during the year has been an unusually active one, largely caused by the abnormal European demand. Good prices have prevailed, although 11 primary points, at which records of receipts have been maintained, show a gain in hog receipts over 1915 of 4,500,000 head. The market on sheep has been good throughout the year, and it is reported that the 1916 lamb crop realized more money than any other crop ever dropped. One of the features of the year has been the enormous demand for breeding ewes.

Mr. WINSLOW. What is your opinion as to the business acumen of the producers, taken as a class?

Mr. WILSON. Well, I have a very high regard for them as a class. I think they are very capable men.

Mr. WINSLOW. Do you feel that they do their business with reasonable commercial efficiency?

Mr. WILSON. Speaking generally; yes.

Mr. WINSLOW. Do you think they keep an account of the cost of their production?

Mr. WILSON. Not as a general rule. The larger of them do, but they do not do it as a general rule. The average feeder of a few cattle, or the average raiser of a few cattle, I do not think they keep intelligent costs of their operations.

Mr. WINSLOW. Would you think if they were more efficient in keeping costs and expenses, as they ought to do, they might make more than they do now, in a general way?

Mr. WILSON. I think so. I think detail knowledge of progress that one has makes for efficiency and always helps.

Mr. WINSLOW. The point was raised here early in the hearings that it might be well, among the various lines of endeavor that Congress has appropriated for, to send men out through the country to show producers how to become more efficient and economical. Do you think there would be any field for such service as that?

Mr. WILSON. There is a field for that, and I think that is being done now to some extent. I think the Department of Agriculture is doing some work along that line. And these county agents around the country are also doing that work. They are advocating more intelligent operation in that way. But it is a big field and a worthy field.

Mr. WINSLOW. Do you refer to these county agents who are sent to take the temperature of cattle because they do not attend to it themselves?

Mr. WILSON. No; that is specific work.

Mr. WINSLOW. Have you any opinion to give as to the department in which the greatest profit is made in the business, taking in the producer, the packer, the jobber, and the retailer?

Mr. WILSON. Well, my opinion is—and I have one, yes—that the greatest profit is made by the producer.

Mr. WINSLOW. That is all I care to ask.

The CHAIRMAN. Mr. Snook, do you wish to ask any questions?

Mr. SNOOK. Yes, Mr. Chairman. Now, Mr. Wilson, I will be very brief. Following the line Mr. Winslow has talked about, there has been some very emphatic, and I might say some extravagant, statements made here in Washington about the price the consumer pays for food products. I understood your answer to him to be that you are not prepared to give any statement as to whether or not the retailer is charging a fair profit or larger than a fair profit.

Mr. WILSON. I do not think I should give a statement of that kind. I think there are a great many things in connection with that that should be thoroughly studied and investigated and intelligently handled.

Mr. SNOOK. Now, another question: I understand you to say that you understood that this investigation had by the Federal Trade Commission had its inception in the producers and cattlemen?

Mr. WILSON. That is my understanding.

Mr. SNOOK. Do you know whether there was any call for an investigation of this kind by the consumers of the country, or have you information on that?

Mr. WILSON. No; I do not know of any organized call.

Mr. SNOOK. You think so far as the information you have goes, this investigation was brought about by a call from the producers of cattle?

Mr. WILSON. Yes sir; I think so.

Mr. SNOOK. The packers—Mr. Armour, Mr. Swift, Mr. Morris, and yourself—have said everything is all right in a way; I mean, in the way you conduct your business, and you have shown that the profit is very much lower than in some other large businesses of the country. Why is it that these producers—and I ask your opinion—have a distrust of the packers for asking for an investigation of this kind? What brought it about?

Mr. WILSON. Well, I think that was brought about pretty much by the attitude of a few producers, who possibly have had some bad experiences in the far-away past and who can not forget those conditions but keep dragging that into the present situation.

Mr. SNOOK. Has it ever occurred to you—and I am not asking these questions in a critical way, because I want to be helpful if I can in this examination—

Mr. WILSON. I am sure of that.

Mr. SNOOK. Has it ever occurred to you that one reason for distrust on the part of the producers or of the people of the country may be the extraordinary size to which these packing companies have grown?

Mr. WILSON. I think that is partially the reason; yes, sir.

Mr. SNOOK. Do you think that would be one reason why the ordinary man, the laboring man, the producer, etc., may have some distrust of the packing companies?

Mr. WILSON. Well, I think they have been encouraged to think that, encouraged by certain elements and certain people, who, for one reason or another, want to command that kind of talk to the people.

Mr. SNOOK. Have you ever considered this problem in connection with that question, either you or the other packers, so far as you know? And this applies not only to the packers, but to other large corporations of the country, such as the steel trust. Is there any way by which that distrust may be met and overcome? Have you any method or any suggestion by which that could be done?

Mr. WILSON. Well, only this, the thought I have on that is to educate the people to the usefulness of this sort of industry, or any other large industry, and thereby to have them understand it more clearly.

Mr. SNOOK. How would you get that to them? How would you do that?

Mr. WILSON. Just through such hearings as these and through publicity; through advertising, and writing generally on the subject, and circulating knowledge on the subject.

Mr. SNOOK. Hearings like these might be helpful even if they did not result in any legislation.

Mr. WILSON. Well, to that extent, that it will educate the people. I think that is the only possible comfort that could be gotten out of it.

Mr. SNOOK. I think it was Mr. Swift who, while on the stand, made the suggestion, and which seems to have been lost sight of, that if there could be some way in which Government agents, or agents of the Federal Trade Commission, or some other branch of the Government, might make an inspection of the books of these great concerns, like Government inspectors inspect the books of banks, and the investigations made by them might be made public.

Mr. WILSON. Well, the Federal Trade Commission inspects our books. They have that right and they do it constantly.

Mr. SNOOK. Do they do that every year?

Mr. WILSON. They have been going over our books ever since this investigation started.

Mr. SNOOK. Well, is it made public? His suggestion was that it be made public, like the investigation of banks.

Mr. WILSON. Unfortunately no, not in a proper way. Of course, they have made public what suited their purposes.

Mr. SNOOK. When banks are examined by agents of the Government, it is published, and there is a great tendency thereby to make people think that the banking business is done in a proper and correct way. Would something of that kind be helpful?

Mr. WILSON. I think anything that would educate the people along these lines, and give them a better understanding of this business, anything that will show the public the efficiency of this business, the margin of profit, and the very small expense the public is put to by way of percentage of profit to the packers for the stuff they are furnishing and that the people are consuming, anything along those lines should be helpful and instructive.

Mr. SNOOK. You referred yesterday to the work done by the agents of the Bureau of Animal Industry, Department of Agriculture, in the matter of inspection and rejection of beef. Who bears the expense where a carcass is rejected?

Mr. WILSON. The packer.

Mr. SNOOK. Is that a large expense in the course of your business?

Mr. WILSON. It is quite an item, yes, sir; a big item.

Mr. SNOOK. How big an item would that be, in your opinion?

Mr. WILSON. Oh, that will run up into—oh, I would say it would run probably into a hundred thousand dollars a year, a couple of hundred thousand dollars or more a year.

Mr. SNOOK. Who bears the expense of the inspection; how is that borne?

Mr. WILSON. The Government bears that.

Mr. SNOOK. Talking about this going into allied industries, fruit, and other things, what is your policy; how do you determine whether or not you will take up a line not directly connected with the packing business?

Mr. WILSON. Well, the first thing to consider is whether we have the distributing and sales facilities for handling that particular line: and then whether it naturally fits in with our other line: that is, whether it is a commodity that is natural to be handled or would naturally be handled by the same salesmen and bought by the same trade. And we would want to know whether it naturally falls into a class that I would consider, or that our executives would consider, would be proper to handle with our line, and would be helpful in the sale of our general line of goods.

Mr. SNOOK. In determining that question, you are not controlled by the amount of profit you could make on it.

Mr. WILSON. That would be a feature of it, but we wouldn't entirely be controlled by that. We are easily satisfied on the amount of profit, as you can see by our figures on our turnover.

Mr. SNOOK. It must be something that can be handled along with the lines that you are handling?

Mr. WILSON. Yes, sir; that would be the controlling thing.

Mr. SNOOK. Something has been said here in the examination about the helpfulness in the packing business in taking care of by-products. That industry has been developed largely by the large packers?

Mr. WILSON. Yes, sir.

Mr. SNOOK. The smaller packers have not gone into that?

Mr. WILSON. They do not go to the extreme that the larger packers do.

Mr. SNOOK. Have you reached the limit of development in that industry yet, in that matter?

Mr. WILSON. No, we have not reached it, I do not think, by any means.

Mr. SNOOK. What agencies, if any, do you have looking toward the future development of this industry? Do you keep up a bureau for that purpose, or something of the kind?

Mr. WILSON. We have what we call our technical department, which is headed by one of the vice presidents of our company, and under him is our entire technical organization, consisting of chemists, bacteriologists, and all sorts of scientific men with our laboratory, which is quite an institution.

Mr. WINSLOW. You are still pursuing that work?

Mr. WILSON. Yes, sir.

Mr. SNOOK. You are still making experiments and new discoveries along that line every day?

Mr. WILSON. Yes, sir; constantly.

Mr. SNOOK. For making further use of by-products?

Mr. WILSON. Yes, sir.

Mr. SNOOK. Are you still hopeful of extending the work?

Mr. WILSON. Yes, sir. There is still a wonderful field for development, I think.

Mr. SNOOK. I want to call attention to page 44, part 2, of this investigation, where I find this statement, claimed to have been made by a cattle buyer, I suppose one of the cattle buyers of one of the large packing industries, to a member of the Federal Trade Commission:

These five big packers make the market. All buying orders come from Chicago. We were not allowed to buy more than instructed to buy. I was never allowed to go over my order—not even 25 cattle. If I did, I got the dickens. Sometimes I would go to the boss and ask if I could buy a certain load cheap. He would reply "No."

Then it goes on to say in the statement that the buying is all done on the orders of the packers, intimating that the buying is divided among the packers, so that the buyers can not vary at all from orders they receive. What do you say about that?

Mr. WILSON. Well, generally speaking, of course there has got to be a head to the buying department as well as to any other department. Otherwise, we wouldn't know any day where we were "at." The head of our department will, when he gets his information in the morning as to the receipts, around generally, he will say to our man at Kansas City, for instance, "Buy 1,000 head to-day," or "Buy 1,500 head to-day." That will be the result of his size-up of the entire situation, of the beef market in the East, and the receipts at all

points, including the market in Kansas City; that is, including the cattle receipts at Kansas City.

Mr. SNOOK. But before you give that instruction, have the large packers consulted upon the question and divided the cattle up so that each buyer will buy so many for Cudahy and so many for Swift and so many for Armour and so many for Wilson?

Mr. WILSON. Absolutely no. Not only have they not had any understanding as to the number of cattle to be purchased, but they have had no discussions of any kind. Our man does not see the buyers of other packers—that is, the head buyers of the other packers—and our head buyer does not see the buyers of other companies, except by accident or if he is out in the pens.

Mr. SNOOK. Would he be refused the opportunity to make an extraordinary bargain if that opportunity were offered?

Mr. WILSON. That might be a specific case, and I can imagine it happening. Some of our fellows are pretty speedy. A buyer may get an order to buy a couple of hundred cattle, and he goes out and does not go through the yards but takes up the first cattle he comes to. It is pretty hard to handle a fellow like that; he is always buying more or disposed to buy more than we ask him to buy in the morning. Take, for instance, Kansas City, and we will have four or five cattle buyers on that market. If we haven't some control over each individual buyer, we will have more stuff there at the end of the day or the end of the week than we can possibly kill and then we are in trouble. A speedy fellow like that, after he comes in from doing his day's work, and having bought all we can handle, might make that kind of statement. I can see where the head buyer at that point might tell him: "No, we have got all we can use."

Mr. SNOOK. Do you determine that question always from Chicago, as intimated in a letter here, for all your packing houses all over the country?

Mr. WILSON. Oh, no. That question would be determined right there in Kansas City. Whether this man would buy those 25 cattle or not would be determined right there by the head buyer in Kansas City.

Mr. SNOOK. In this earlier statement, above the one I have called your attention to, it is intimated that all this division is made in Chicago and the news is wired out, and there is no variation. What about that?

Mr. WILSON. That is absurd. Of course the man who made that statement did not know what he was talking about, and because our man might tell our buyer in Kansas City to buy 1,200 or 1,500 or 2,000 cattle that day, it is assumed that it is divided up in Chicago, is just absurd. There is no basis for it at all.

Mr. SNOOK. He further makes the statement that if all buy strong or buy weak, it is an indication there is no competition at all.

Mr. WILSON. That would indicate competition in each market to me. If they were all out buying strong that particular day, it would probably mean that there was a good market in the East and they wanted the stuff.

Mr. SNOOK. And instead of there not being competition you think that shows there was competition.

Mr. WILSON. Surely.

Mr. SNOOK. I would like to call your attention to one other thing about which you spoke, and that I want to clear up and make very clear, if I can. That is about this Austin matter. I refer now to page 95 of the hearings, and which includes Mr. Colver's testimony. I refer to the statement made by Mr. Murdock, in which he says, speaking about the plant at Austin, Minn.:

In the city of Austin I found a very fine packing plant, an old institution which had grown up with the city, and which had maintained itself against the larger packers. * * *

Mr. Murdock makes this statement, and I want to call your attention to it, because I believe it answers the inquiry when you were talking to **Mr. Hamilton**:

During this investigation—and this answers your question directly—it was discovered that the larger packers, the five big packers, or some of them, had established around the city of Austin, Minn., concentration buying places, places where stock could be intercepted on its way into Austin, taken away from Austin and shipped into Chicago.

Have the big packers done that?

Mr. WILSON. No, sir. There is no concentration point that I know of around there. And I think **Mr. Hormel**—

Mr. SNOOK (interposing). You catch the point. He says a number of railroads converge into Austin, and that you can cut off the trade from Austin.

Mr. WILSON. That does not exist. And further along he mentions specifically, I think it was **Mr. Colver**, the one station established by **Cudahy**.

Mr. SNOOK. Yes, sir.

Mr. WILSON. Now, that is the only one that anybody seems to know anything about, and that, as I told you on yesterday, was established by **Cudahy Bros.** of Milwaukee, who are not one of what are called the five big packers.

Mr. SNOOK. He goes on and draws a picture, and says on account of the concentration, the market was cut off at Austin, and this company will soon die and go to pieces.

Mr. WILSON. Well, **Mr. Hormel** has testified before you and shown you where he has accumulated, and was able to increase his stock out of surplus 400 per cent, and has shown where he has grown from 610 hogs in 1892 to 4,000 hogs at the present. He has also told you in his evidence here that he can not handle all the hogs he can get. I think that answers that proposition.

Mr. SNOOK. Just one more question or two about the bill. You have read this bill before the committee, haven't you, this proposed law?

Mr. WILSON. Yes, sir.

Mr. SNOOK. Do you construe this proposed law to mean if it were enacted that there would be Government ownership of refrigerator cars, stockyards, and other facilities outside of the packing plants themselves, Government ownership is the way you consider it?

Mr. WILSON. That is my construction of it.

Mr. SNOOK. Or does it mean Government control, like we have now with the railroads?

Mr. WILSON. Government ownership is my construction of the bill, that it is ultimately driving at.

Mr. SNOOK. It is ultimately driving at Government ownership, you think?

Mr. WILSON. Yes, sir.

Mr. SNOOK. Have you looked at the provision of the bill that provides for a license system?

Mr. WILSON. Yes, sir.

Mr. SNOOK. You understand that?

Mr. WILSON. Yes, sir.

Mr. SNOOK. Do you construe that to mean that if the bill were passed and the packers were put under a license system, that under the regulations to be issued under that license they could prevent the packers from engaging in these allied industries that we speak about?

Mr. WILSON. I certainly do. I think they could prevent us from doing anything they might decide on.

Mr. SNOOK. You think they could circumscribe the kind of business in which you could engage?

Mr. WILSON. Yes, sir; I think so.

Mr. SNOOK. That is all I care to ask.

The CHAIRMAN. I now recognize Mr. Parker of New York.

Mr. PARKER of New York. All of the questions I wanted to ask have been asked.

The CHAIRMAN. Well, Mr. Wilson, it is now time to take a recess. I will ask you to come back at 2 o'clock. The committee will stand recessed until that time.

(And, at 1 o'clock p. m. the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled at the expiration of the recess at 2 o'clock p. m.

STATEMENT OF MR. THOMAS E. WILSON—Resumed.

The CHAIRMAN. The committee will come to order. The next member on the call is Mr. Sweet.

Mr. SWEET. Mr. Wilson, there has been some testimony given here in regard to refrigerators and coolers and cold-storage warehouses. I wish you would give briefly the difference between them and their respective uses.

Mr. WILSON. Well, I will start with the coolers at the packing house. We have what we call the beef coolers and the pork coolers; that is the hog coolers where the whole carcasses are run in on overhead rails inside. These rooms are kept at a temperature varying from 28 to 36° F. The cattle when slaughtered, probably 30 minutes after dressing, are run into what we call the beef coolers, which are those which I have just described. They are big rooms varying in size; some of them will hold 200 cattle and some will hold 1,500 cattle. They have overhead bunkers in which the refrigeration is worked—that is, the different systems, some the direct expansion and some the spray system, or the apron system from which they get their temperature, and the circulation of air in there takes the moisture up from the cattle and lodges it on the cold surfaces above.

and it condenses there. The cattle are left in those rooms on an average three days, at which time they are chilled through; that is, the temperature of the beef at the thick part, through the round or through the shoulder, is substantially at the same temperature as the room itself, and those cattle are then ready for shipment to our eastern distributing branches. They are always on the overhead rails, and as they go out, they are quartered, and the fore quarter is cut from the hind quarter. They go out and are loaded into the refrigerator car standing at the beef house platform.

Now, on the hogs, they go to a similar cooler constructed for the handling of hogs. The only difference is the fact that it has a little lower ceiling, because a hog hanging does not take the space that side of beef would take, and they are held in there usually for 48 hours until they are chilled down to a temperature around 32 or 33.

Mr. SWEET. The cooler then is an adjunct of the packing plant, and is not really used as a place of storage.

Mr. WILSON. No. Now, just as soon as those hogs have reached that temperature, they then go to what we call the cutting room, where they are cut into the primal parts, the ham, belly, back, shoulder, loin, and everything that we cut the hog into, and they in turn go to their respective departments, either to the curing or into the packing room, or wherever they are destined to go.

Now, those are the beef house chill rooms.

We have in addition at the packing houses freezers where we first sharp freeze the beef that comes out of these rooms, if we are going to freeze the beef or the pork which comes out of these rooms, and they go into a temperature of anywhere from 5 above to 10 below zero in the sharp freezer. Governed somewhat by the temperature of that sharp freezer is the time the stuff remains in the sharp freezer, and as soon as it is firmly frozen throughout, then it will go to the freezer storage, which is a room held anywhere from 15 above zero to zero, and there it is piled in piles or tiers, and held for such length of time as the uses of it will justify, and that varies depending upon the article.

Mr. SWEET. Yes; and depending upon the market?

Mr. WILSON. And to some extent upon the market.

Mr. SWEET. Now, as to cold storage plants. Have you cold storage plants in connection with the packing houses?

Mr. WILSON. That freezer is the only cold storage plant that we would have, for instance, and we have in connection with that rooms where we store other products of our own, produce, and other meat products, other than just the fresh products which require the low temperature. Now, in the ordinary sense, when you speak of a cold storage plant, to us that means a public cold storage plant owned by others than the packers, outside, and there are many in Chicago and many in all of the larger cities in the country. Those are similar to our freezer plants. They have the sharp freezers, and the regular freezer storage, and they are operated about the same as we operate our plant freezer. You will appreciate the importance of the plant freezer when I tell you that substantially all of the product we have sold to the allies in the way of beef, for instance, has all been frozen before shipment. All our beef going over for our own Army and going to our own Navy has been frozen before shipment, and from that you will see the importance of

the sharp freezer and the storage freezer for the handling of that great volume.

Now, going on, after our beef is loaded in our refrigerator car at our plant, it comes, for instance, here to Washington, and we have a building here located—I do not know the name of the street, but it is down here near Pennsylvania Avenue, and is right opposite the public market there—and in there we have another cooler. That is a cooler maintained at a temperature of about 32 to 35 or 36, changing somewhat with the season. That is refrigerated by machinery as well. Now, that cooler will hold probably two or three cars of refrigerated beef. We do not put frozen beef in there, but refrigerated beef which is hung in quarters on the rails in the cooler, and there is where the trading is done; that is, that is where the butcher will go in and look the carcasses over and make his selection and dicker with our salesman or our manager.

Now, in that same house we have another small cooler where we handle pork products, carried at about the same temperature, and where we carry produce and other lines that require refrigeration.

Now, that is the branch market, referred to by some as storage plant, but it is not, in the common sense, a storage plant. It is just a marketing place for our product, and we do not aim to carry any quantities of stuff there of any kind other than what is required from week to week.

Naturally, the refrigerated beef, or what we call the fresh beef, we want to turn as quickly as we reasonably can. We get the best results and the butcher who cuts it gets the best results, and the consumer gets the best results from that prompt handling of the chilled meat.

Mr. SWEET. What is your capacity for storing and holding meat after it has been refrigerated—I am speaking generally, now?

Mr. WILSON. Just on the frozen meat? Of course, a lot of the pork, you know, goes to what we call the cellars, where we do our curing. That is refrigerated also but at a higher temperature.

Mr. SWEET. Well, taking all of your meat capacity or all of your capacity for storing meat.

Mr. WILSON. At all places?

Mr. SWEET. At all places.

Mr. WILSON. Our capacity would probably be 80,000,000 pounds, beef and pork.

Mr. SWEET. And would it be fair to say that all the other packers referred to ordinarily as the large packers have that capacity or a greater capacity?

Mr. WILSON. Yes; or more. Of course, the others, some of them, have more, considerably more.

Mr. SWEET. Now, do you store any of your meat in these public cold storage warehouses?

Mr. WILSON. At times; yes. We have had to do a good deal of that during the past year or so. Meat that we have sold, for instance, to the British Government, the beef, has gone into public storage houses, and then it is subject to their shipping instructions. Meat for our own Army has been put into these public cold storage houses by us. The Quartermaster Department will secure that space themselves, and they will order us to put certain quantities in certain cold storage plants, and then the Army becomes the owner of it.

Mr. SWEET. Prior to the war, you held a great deal of this meat in cold storage awaiting an advance in the market or a change in market conditions, oftentimes, did you not?

Mr. WILSON. That is seasonal. For instance, when the canner cattle are coming, they come in quantities in excess of our ability to can and handle the product, and in that case we will store them, and then when the run runs off, and they commence to slacken up, then we commence to use out of the storage plant in order to keep our canning facilities going; and of course, that enables us to absorb all the cattle that come in whether a market is there for them at the minute or not.

Mr. SWEET. Are you interested in the Merchants Cold Storage Plant at Chicago?

Mr. WILSON. The Merchants Cold Storage Plant is not a corporation any longer. That is our plant at our packing house.

Mr. SWEET. I did not understand that.

Mr. WILSON. That is, when I went with the concern, they operated it as a separate corporation, but I closed that out substantially, and it is operated on our own stuff. It is right in the stockyards and connected right up with our plant.

Mr. SWEET. How about the Illinois Cold Storage Plant?

Mr. WILSON. No; we have no connection with the Illinois.

Mr. SWEET. Nor the G. H. Hammond Cold Storage Plant?

Mr. WILSON. No; we have no connection at all with that. That, I think, is a Swift & Co. proposition.

Mr. SWEET. And the Ashland is a Morris proposition?

Mr. WILSON. Yes, sir; I think that to-day none of those now does but very little of outside business. I think they are used almost entirely in the handling of their own products, just as I have described, or substantially so.

Mr. SWEET. Now, last evening I saw an item in the paper in regard to the large quantities of meat from hogs and cattle in the cold-storage plants at New York City. It was said, "66 public warehouses in New York State are overflowing with accumulated foodstuffs to-day while retail food prices cling generally to war-time levels."

Then, in another part of the article it is said the frozen beef in these plants in January, 1918, was 6,604,000 pounds; on January, 1919, 9,061,000 pounds; and it also spoke of cured meats, 810,000 pounds in January, 1918, and in January, 1919, 2,211,000 pounds; frozen pork in January, 1918, 850,000 pounds, and in January, 1919, 2,292,000; dry salt pork, 289,000 pounds in January, 1918, and 936,000 pounds in January, 1919.

Can you tell me how much or what per cent of those meat products are owned at the present time by the packers?

Mr. WILSON. I could not tell you except in a general way. I think very little, if any, of it; and, of course, while that sounds like big figures, it does not amount to very much. You take the 9,000,000 pounds of beef, for instance, and, I think, an investigation will show that that probably belongs to either the Quartermaster Department or to the Allied Purchasing Commission for England, France, or Italy. Now, that 9,000,000 pounds of meat would be about what they would take on one good-sized boat; that is, that would not be all of the tonnage that boat would carry, but it would be all the refrigeration.

erated tonnage she could take; and that 9,000,000 pounds of meat, if you will just figure it out, if it is Quartermaster stuff, would not last our Army over there, if the Army is down to 1,000,000 men, and I do not know how many we have over there, but on the ration of a pound a day, you can see how long that stock would last—a nine-day's supply. That is stuff, I think, Mr. Congressman, that is in transit for European markets or for European uses, and either owned by our own Government or by the Allies. I do not think any great part of it is owned by any of the packers. Those sound like big figures, but when you figure the volume of the business they are not large at all.

Mr. SWEET. I think this article also stated that there are 350,000,000 pounds of meat in the country at the present time, and it also states that this is really as large an amount as has been in the country at any one time.

Mr. WILSON. Well, I would not be surprised but what that is correct. This is the peak of the packing season. In that 350,000,000 pounds there is a good deal of it which is sold and that the foreign governments are under obligations to take and will take. Now, just let me show you what that quantity means when you get right down to it. I referred yesterday to an order we had from Mr. Cotton last February for 147,000,000 pounds to be shipped in two weeks. That is half of this total quantity in storage to-day that you refer to. I simply cite that again to show you that it is really hard for any of us to appreciate these millions and just what that does mean. It sounds like a terrible quantity, but when you figure the uses that are being made of it, and the millions of people there are to eat it, it does not amount to so much; and I will further say that if they had that 350,000,000 pounds over there to-day it would not last very long. The trouble is in getting it over there.

Mr. SWEET. What is the object at the present time of allowing so large an accumulation of meat in storage in this country?

Mr. WILSON. Well, it is the usual custom, of course, to take these hogs from the farmer when they are ready to be slaughtered. You can not market them all at the time you slaughter them. The meat have got to be cured. A great deal of the meat referred to there is still in the process of curing, and it takes some of it as long as 60 days and some even a little more than that before it is ready to be shipped. There is no unusual condition there. It is a condition that the season brings about, and every packer in the country to-day is operating at his maximum capacity in order to pick up this accumulation of hogs that are offered on the market.

Mr. SWEET. This meat is not being held at the present time for the purpose of keeping up the price to the consumer, is it?

Mr. WILSON. Not at all; not at all.

Mr. SWEET. In other words, the pork of this country has been purchased at 17½ cents a pound, and is there any thought at the present time in the minds of the packers of accumulating a large amount of this product in the country in order that you may finally dispose of it at a reasonable profit?

Mr. WILSON. There is no packer foolish enough to do that at this time. With 17½ cents for pork, he does not want to accumulate any more than he has to.

Mr. SWEET. Let me go a step further. Is any part of the meat product of this country or any considerable part of the meat product of the country held by speculators to-day?

Mr. WILSON. Not a great quantity of pork products or beef products.

Mr. SWEET. Do the packers to-day sell to what we ordinarily term speculators?

Mr. WILSON. Well, the packers would not know on that end of it just who they were selling to, probably. That would be sold through a board of trade and sold through board of trade commission houses, and any packer who might feel he had an excessive line of stuff might offer, for instance, some January ribs or January lard or February or May stuff through the board of trade, and that might be, and probably would be, some of the smaller packers.

Mr. SWEET. Do you believe to-day that if the price of pork had not been fixed at 17½ cents a pound, the price of pork would be less than it is to-day to the consumer?

Mr. WILSON. Yes; I believe so.

Mr. SWEET. Do you believe the price of pork would be less to the producer?

Mr. WILSON. Oh, absolutely.

Mr. SWEET. In other words, would the market price of pork be less than 17½ cents a pound if it had not been fixed at 17½ cents a pound?

Mr. WILSON. Yes.

The CHAIRMAN. You mean the price of hogs.

Mr. SWEET. Now, why is that so?

The CHAIRMAN. Do you not mean the price of live hogs. Is not that what you refer to?

Mr. WILSON. Yes; I assumed he meant that, and the basis of that price for the product.

Mr. SWEET. Yes; I meant the basis of that price for the product.

The CHAIRMAN. You keep calling it pork and I wanted to understand it.

Mr. SWEET. I think the witness understood what I meant; at least, he answered as if he did.

The CHAIRMAN. I wanted to see if I understood you.

Mr. WILSON. I will tell you why that is so.

The Government, the Agricultural Department, and the Food Administration went out into the country and encouraged an increase in the production of hogs and they got a big response. The country did increase its production of hogs. Now, the armistice happened just at the time when that big run of hogs was coming, and was coming in great quantities, coming in greater quantities than the packers could handle the stuff. When the armistice was signed, the country was of the opinion that the war was over, and that, as has been intimated in many ways, prices would be bound to go down, so every man who owned a hog or a lot of hogs was insisting upon putting them on the market and getting rid of them. Now, that condition is bound to bring about lower prices, because it brought a surplus of hogs in every market in excess of the possible ability of the packers to handle them. Now, under that condition, there is hardly any power possible to hold it; I mean, any marketing power,

unless there is some arbitrary fixing. You could not hold it; it would be physically impossible; and hogs last November would have sold, in my opinion, for 5 cents a pound less, live hogs would have sold for 5 cents a pound less than they sold for in November, and have sold for since had it not been that the price had arbitrarily been fixed by the Government.

Mr. SWEET. Is it your judgment that then, that the price of hogs should be continued at 17½ cents a pound, or something near that for the next few months?

Mr. WILSON. No. I would not say that. My understanding of the situation is that the Government is under obligation to the producers of all of the hogs from the farrow of last spring, and they have gone on record to the producer that they would get that price for all of the hogs from that farrow of last spring. It will take probably this month and next month for the Government to discharge that obligation. That is the justification of it. It is not a commercial proposition.

Mr. SWEET. And it is not based upon the law of supply and demand at all?

Mr. WILSON. No, sir; it is not.

Mr. SWEET. Do you believe, in ordinary times, that the packing interests of this country, on account of the large amount of storage facilities that they have, can in a measure control the price at which meat products are sold to the consumer?

Mr. WILSON. No; I think not. Now, you take for instance beef. We can not use those facilities in normal times for beef. This country will not consume frozen beef, and that is the only possible way you can save it, and a man would be a fool to put beef in the freezer and freeze it, when he knows that is going to depreciate the market value of it anywhere from 2 to 5 cents a pound. No enhancement in the market by holding stuff off of the market would justify that kind of business.

Mr. SWEET. Then, your position is that it is very seldom that the meat packers hold their meat any length of time in order that they may obtain a better market for their product?

Mr. WILSON. That is my position. The packer is educated to the quick turnover and the faster they can get rid of it the better they like it.

Mr. SWEET. Statements that we read in the newspapers, then, in regard to speculators accumulating large amounts of meat or other products in cold storage and holding those products in order that they may obtain a better market are not well founded?

Mr. WILSON. Not well founded as far as the meat business is concerned. It may be on other food products.

Mr. SWEET. Is that true in regard to eggs?

Mr. WILSON. No; I would not say it is true in regard to eggs. I think eggs are held in cold storage more as a speculation, a good deal more, than meats are; but, of course, a great many eggs are held in storage and put in storage as a seasonable proposition that could not be used in any other way.

Mr. SWEET. How long can meat be kept in cold storage without any practical injury to it?

Mr. WILSON. You mean by that fresh meat, uncured meat?

Mr. SWEET. I mean meat that is placed in cold-storage warehouses.

Mr. WILSON. Well, it could be held for a week—frozen meat, of course.

Mr. SWEET. The amount of sales during last year of Wilson & Co. were about \$400,000,000?

Mr. WILSON. Substantially that; yes, sir.

Mr. SWEET. Do you remember what they were in 1916?

Mr. WILSON. I can tell you in a moment.

Mr. SWEET. Well, we need not take the time now, but you can insert that in the record later. This much is true, the amount of your sales were much less than they were in 1918?

Mr. WILSON. Yes, sir.

Mr. SWEET. And the price that you paid for product in 1916 was much less than what you paid in 1918?

Mr. WILSON. Somewhat less; yes, sir.

Mr. SWEET. Now, in having \$400,000,000 as the amount of your sales in 1918, the amount of the product you handled in 1918 and in 1916, when compared would be much less.

Mr. WILSON. The amount was somewhat less; yes, sir.

Mr. SWEET. The increase in the amount of your sales in 1918 is in part due to the increased value of the products?

Mr. WILSON. Yes, sir.

Mr. SWEET. And, I may say, taking into consideration the general increase in the production of meat product in this country, that your increase in the amount of sales was about proportionate to the general increase of production in the country.

Mr. WILSON. Not exactly. We did a little better than that.

Mr. SWEET. Taking into consideration the increase, also the price in the product.

Mr. WILSON. Yes; even with that we did a little better.

Mr. SWEET. Now, since the war, as I understand it, there has been a great demand for canned beef?

Mr. WILSON. Yes, sir.

Mr. SWEET. More so than ever before?

Mr. WILSON. I think that is right.

Mr. SWEET. And the price of canned beef has increased, has it not?

Mr. WILSON. Yes; in keeping with the increase in the price of the live cattle.

Mr. SWEET. Yes; now, has the increase in the price of cattle that are fit for canned beef increased in the same proportion as other kinds of cattle have increased?

Mr. WILSON. I think they have.

Mr. SWEET. In other words, has there been a like increase on what we call canners, taking into consideration the demand for canners and the increased price of the canned beef?

Mr. WILSON. I think fully as much and maybe more. I would not be surprised if it was more in proportion, relatively.

Mr. SWEET. Mr. Wilson, throughout the testimony here, we find that there is a tendency on the part of those who are interested in packing plants to purchase stock in stockyards. Stockyards, of course, are naturally related to packing plants. Now, the fact that the packers and the men interested in packing concerns purchase

stock in stockyards companies—is that due to their general interest in the business or because it is a good, financial investment?

Mr. WILSON. In the first place, I do not think there is that tendency on the part of the officers or owners of the packing houses to buy stock in stockyards to-day. I am speaking of myself. I have no desire to buy stock in stockyards, and I have not bought any for a very long time.

Mr. SWEET. I bring this matter up because in reading the statements of the Federal Trade Commission that inference, it seems to me, can be drawn.

Mr. WILSON. I am telling you that is not correct with reference to my concern, because my concern is not interested in, or anxious to buy stock in, anybody's stockyards, and they do not own any stock in any stockyards with the exception I noted here yesterday, which I personally own, and which amounts to substantially nothing; and I do not think that that really is a fair conclusion to draw from the entire situation. I gave you yesterday the experiences I had in Oklahoma City and I am sure there was not any great anxiety on the part of the Morris people, whom I represented at that time, to own stock in a stockyard. I do not think they were prompted by that desire nor by the thought that that would be a wonderfully big paying proposition. They did not think so at the time, and I do not think they have ever thought so since; and, as a matter of fact, it has not been.

Mr. SWEET. Will you go further and say that it was not for the purpose of influencing marketing conditions?

Mr. WILSON. It was for the purpose of providing proper facilities for the marketing of live stock, which they felt and which I felt and still feel is better done and can be better done by the packer interests than it can be done by other interests. I say that not to defend anybody who owns stock in stockyards, because I do not care, because, as I say, my company does not own any stock in stockyards, and I feel I am at no disadvantage whatever because of that fact; but I do think that the producer, when all this is cleared away, will find that the facilities furnished by the packers and the operation of the yards by the packers, is a better thing for him than any other condition that might be brought about. I believe in that.

Mr. SWEET. Do you own any stock in any of the other packing concerns?

Mr. WILSON. I own a little stock in the Western Meat Co., in California—250 shares.

Mr. SWEET. And that is all?

Mr. WILSON. That is all; and that I bought and paid for with my own money, and I paid the market price.

Mr. SWEET. Are you connected in any way with Morris & Co. at the present time?

Mr. WILSON. Not at all, in any shape or form. I was the trustee of the estate of Edward Morris. At the time of his death I was the executor and later the trustee, and when I severed my connections with the company I resigned as trustee of the estate also.

Mr. SWEET. So at the present time you are not a trustee of the Morris estate at all?

Mr. WILSON. Not at all, and have no connection with it in any shape.

Mr. SWEET. I think that is all, Mr. Chairman, but I would like to put into the record at this point a part of this article in the newspaper setting forth some of the statements that I read from the article. The article is very short.

(The article referred to follows:)

SPECULATORS LOSE MILLIONS ON TUMBLE OF FOOD PRICES.

NEW YORK, *January 29.*

Food speculators in the United States hold the greatest stock of edibles ever gathered together in storage warehouses of this country.

Prices are higher than ever in the history of America. Prices can not maintain the high level at which they are now placed. Production of meats is cheaper and, as a consequence, the Government's price of \$17.50 for hogs is bound to come down. A market panic of importance is impending.

These are statements made to-day to the United Press by P. Q. Foy, editor of the Market Report, and reputed to be one of the best informed men on market conditions in the country.

South American, New Zealand, Australian, and Siberian goods are beginning to appear on the market, Foy also said, and the effect is being felt. Prices must fall more than they have recently and speculators stand to lose millions in the tumble.

LARGE QUANTITIES OF BUTTER.

Already, Mr. Foy stated, speculators in New York have felt a million slip out of their pockets through the importation and sale of 500,000,000 pounds of Siberian butter. As much more, he said will be thrown on the market. Australian and New Zealand dairy products, he declared, are on their way to this country to help in the smashing of the food speculators.

Foy quoted figures to prove that production has reached its highest point. He declared it has climbed to such a figure that glutting of the market is certain to follow. People, he pointed out, have been living on reduced rations during the war, while the Government has urged greater production. The result has been a staggering accumulation of foodstuffs in warehouses.

Recent Government reports, he said, show there are 900,000,000 pounds of frozen pork in warehouses, 350,000,000 pounds of frozen beef, and 10,000,000 pounds of frozen poultry, held in the hope that prices will go higher. Holdings of mutton and lamb are 85 per cent greater than in 1914—the year the war started. Pork holdings have increased 65 per cent in that period, salt pork 41 per cent, and pickled pork 12 per cent.

To-day, Foy said, there are 350,884,441 pounds of frozen beef in storage, whereas a year ago there were 234,055,592 pounds.

Beef produced in 1918, his figures showed, amounted to 8,500,000,000 pounds, against 6,079,000,000 pounds in 1914, an increase of 2,420,000,000 pounds.

SUBMITS PRODUCTION FIGURES.

Pork production, he showed, reached 8,769,000,000 pounds in 1914 and 10,500,000,000 pounds in 1918. Mutton and lamb production increased from 495,000,000 pounds in 1914 to 759,000,000 in 1918.

Five years ago, he said, it required a week for a farmer with two hired men, to prepare 50 acres of land for food production. To-day, he said, machinery has made it possible for that land to be put into shape for production within a day. The difference, he said, will make itself shown in days to come by reduced prices.

Butter in New York, Foy declared, has declined 23 cents during the last seven days as a result of butter importations. Speculators, he stated, have lost about \$1,000,000 on the decline.

Butter here slid into another decline to-day, when extra creamery dropped 3½ to 4 cents. It is now selling at 46½ to 47 cents, and, in the words of Foy, "weak at that."

Wisconsin cheese, Foy said, dropped 9 cents yesterday, with an immediate effect here. Milk products will slump at once everywhere, he predicted.

Constant piling of products, with speeded production, due to increased number of workers, will cause a condition, he thought, that may result in catastrophe for speculators unless they begin getting ready for it by making sales.

1318 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

VAST QUANTITIES OF FOOD IN NEW YORK WAREHOUSES.

ALBANY, N. Y., January 29.

Sixty-six public warehouses in New York State are overflowing with accumulated foodstuffs to-day, while retail food prices cling generally to war-time levels.

If these stored supplies were placed on the market, the cost of living would toboggan.

Comparison of the quantity of food in storage January 1, 1918, and January 1, 1919, shows a tremendous increase.

Following are the figures, as given in reports made by warehouse managers to the State Department, and checked by inspectors. Names of the owners of the goods are not given out.

Commodity.	In storage Jan. 1, 1918.	In storage Jan. 1, 1919
	<i>Pounds.</i>	<i>Pounds.</i>
Frozen beef.....	6,604,782	9,081,042
Cured beef.....	810,486	2,211,499
Frozen pork.....	880,086	2,288,211
Dry salt pork.....	289,246	638,273
Pickled sweet pork.....	389,072	1,492,179
Lard and substitutes.....	94,161	2,448,342
Frozen lamb and mutton.....	1,132,040	2,901,176
Broilers (chickens).....	1,976,357	2,323,634
Roasters (chickens).....	2,309,293	9,511,604
Fowls.....	1,656,886	2,779,394
Turkeys ¹	698,625	4,419,329
Miscellaneous meats.....	760,186	1,364,969
Fish.....	4,691,612	9,120,089
Miscellaneous.....	52,212	1,379,227

¹ Turkey prices last Thanksgiving and Christmas were record breakers.

New York is one of the food centers of the United States, so conditions in these warehouses may be regarded as typical of conditions in other storage centers.

Fish prices, it was noted, went up rapidly during the last year, while the quantity of fish in storage doubled.

Pressure may be brought to bear, through public opinion or legislation, to place these stored commodities on sale and thus break the cost of living.

Mr. STINESS. Shortly before you went into the company, which is now the Wilson Co., you say the Sulzberger & Sons Co. was in a bad way?

Mr. WILSON. Yes, sir.

Mr. STINESS. And they were fearful they would fail?

Mr. WILSON. That is the way it was represented to me and that was my opinion at the time.

Mr. STINESS. And that stock was offered at \$5 a share?

Mr. WILSON. Yes, sir.

Mr. STINESS. And you consider it was worth that at that time?

Mr. WILSON. I do.

Mr. STINESS. What was the book value of that stock at that time?

Mr. WILSON. About \$70 a share.

Mr. STINESS. At that time?

Mr. WILSON. Yes, sir.

Mr. STINESS. Were these banks that were trying to reorganize, and did reorganize the company, lenders of money to the Sulzberger & Sons Co.?

Mr. WILSON. That I could not answer. I think possibly some of them were, but I do not know.

Mr. STINESS. Was one of them the Chase Bank?

Mr. WILSON. If any of them were lending money, it would either be the Chase or the Guaranty, because the others do not—

Mr. STINESS (interposing). Were these banks that Mr. Armour or Mr. Swift, or any of the so-called big packers interested in?

Mr. WILSON. Not that I know of.

Mr. STINESS. Now, the Sulzberger stock was offered to Armour and to Swift, was it not?

Mr. WILSON. It was offered to Swift. I am not so sure it was offered to Armour.

Mr. STINESS. I think I saw in the report of the Federal Trade Commission that it was offered to Armour and Swift.

Mr. WILSON. That is probably correct. I think they peddled it around pretty well at the time.

Mr. STINESS. Had there been any indictment at that time or were there any indictments pending against any of the big packers, so-called?

Mr. WILSON. I do not think so, at that time. No; there was not.

Mr. STINESS. Were the indictments brought before or after that?

Mr. WILSON. What indictments do you refer to?

Mr. STINESS. Mr. Colver in his testimony said that indictments were pending, but they could not get a trial, and there was a delay, and that is one of the reasons why he wanted this law passed, because under the present law they could not get trials under the indictments.

Mr. WILSON. I do not think there were any pending at that time, and had not been for a long time.

Mr. STINESS. Are there any pending at the present time?

Mr. WILSON. No; not that I know of.

Mr. STINESS. None against your company?

Mr. WILSON. No, sir.

Mr. STINESS. As I understand it, the chief reason for asking for this bill by the Trade Commission, and also in the opinion of the public, is that there are unfair practices by the five large packers, not only to control the supply of meat, but also to drive the smaller packers out of existence. At that time, when this stock was offered for sale, and before you went into the Wilson Co., could the big packers, if they had seen fit to do so, have acquired that stock and driven the Sulzberger & Sons Co. out of the market as competitors?

Mr. WILSON. I rather think they might have. I do not know whether they would have regarded that as a legal procedure or not. I am not a lawyer, so I do not know.

Mr. STINESS. But if they had seen fit to do so, through their banker and other interests, they could have interfered with their business?

Mr. WILSON. No; I do not think so. Let me tell you something there. You know it was developed here yesterday, and it is so reported in the Federal trade report, that the Swift family had quite an interest in that preferred stock. Now, you would not imagine from that that they would be interested in wrecking the company, would you?

Mr. STINESS. But the public has been given to understand that these five big packers want to wreck every other packer. Now, if that was the case, there never would have been a better opportunity to get rid of a strong competitor, the book value of whose stock was \$70 a share, than to take it at \$5 a share.

Mr. WILSON. No; that would have been an easy way out for them. I should say.

Mr. STINESS. Was Sulzberger & Sons Co. called one of the big five? How long ago was it that this big five started?

Mr. WILSON. I have heard that big-five talk for a good many years, and then the big-three talk, and the big-four talk. It seemed to be used to fit the occasion that comes along.

Mr. STINESS. If there had been any combination or any advantages to be obtained by getting hold of this company, the other members of the big five were in a position to do it, were they not?

Mr. WILSON. Yes; they had the stock offered to them.

Mr. STINESS. And when this company was in difficulties, if they were a member of that combination or a member of the big five, they also could have been helped and assisted out of that difficulty by the big packers, could they not?

Mr. WILSON. I do not know. I suppose if they wanted to dig down in their pockets and lend them some money, or something of that sort, they could have done so.

Mr. STINESS. I say, if there was a combination for the control of the buying and selling of the live stock, they could have helped out this company, could they not?

Mr. WILSON. They might have, possibly.

Mr. STINESS. The banking connections they had and the money they had would have enabled them to do it.

Mr. WILSON. They could have done it.

Mr. STINESS. Then does it seem to you that there would be any evidence in their not helping them or not buying them that there was any combination?

Mr. WILSON. I think it would be evidence that there was not a combination.

Mr. STINESS. Is it your view that there is any necessity for passing any law at the present time regulating this business?

Mr. WILSON. No; now there are plenty of laws, as I stated yesterday.

Mr. STINESS. Is there anything in this bill called the Sims bill that in your opinion would be of advantage to the companies to have it passed?

Mr. WILSON. I think not.

Mr. DECKER. I intended to ask you yesterday, but it slipped my mind—do I understand that any packer can go on any market and buy stock to any quantity he desires?

Mr. WILSON. Yes, sir.

Mr. DECKER. At any time?

Mr. WILSON. Yes, sir.

Mr. DECKER. Whether he owns any interest in the stockyards or not?

Mr. WILSON. Yes, sir; I am doing it every day.

Mr. DECKER. And any other packer there can do the same thing, can he not?

Mr. WILSON. Yes; he can.

Mr. DECKER. And these smaller packers, if they want to go on the St. Joe market for the same reason, can go?

Mr. DOREMUS. That is what I mean.

Mr. WILSON. Yes, sir.

Mr. DOREMUS. Where do you buy the most of your stock?

Mr. WILSON. Mostly in Chicago, Kansas City, and Oklahoma City. We buy a great many in Fort Worth and a great many in Omaha; occasionally in St. Joe; a great many in St. Paul. Those are the principal markets. Of course, you understand, we have no plant at Fort Worth, although we buy there; also we buy in Omaha and have no plant there; and at St. Joe, and we have no plant there; and at St. Paul, and we have no plant there.

Mr. DECKER. And if you wanted to buy down at Fort Worth, would there be any objection from the other packers as to your buying there?

Mr. WILSON. There would not be any objection that would cut any figure with me.

Mr. DECKER. Well, would they object—would they try to persuade you not to?

Mr. WILSON. No.

Mr. DECKER. The fact that you had not been buying out there would not be any ground for objection on their part?

Mr. WILSON. I would not think so; I would not recognize it as a sufficient ground to change my plan in any way.

Mr. DECKER. I notice here a peculiar letter, it seems to me. I do not just understand it. It is written from Chicago, dated March 24, 1917, and says:

DEAR MR. WILSON: Our hog department say that any hogs that your people bought in 1912 or 1915 in Omaha, they bought under cover. They never maintained a salaried buyer there. What few they bought thro a speculator named "Red" Murphy, who used all kinds of schemes in shipping them out to have their destination unknown; shipping them to a junction point, then they would be reconsigned. As soon as the matter was taken up with S. & S. Co., they discontinued it. So I fail to see how you can honestly claim any rights to-day for any underhand work that your firm did in 1912.

Yours, very truly,

ARTHUR MEEKER.

He represented, as I understand, the Armour people. What did he mean by that letter?

Mr. WILSON. Arthur Meeker had a theory that because they had a plant at Omaha, and we did not, that it was not fair competition for us to go into that market at a time when the receipts were light all over the country—for us to go in there and buy hogs, when they could not get enough hogs to operate their plant. That was his theory, which I did not accept and have not accepted and never will accept. There may be some merit in his position.

Mr. DECKER. The fact that you did not have any packing house there and had not been buying much there, you did not think you should take into consideration; it was a free market and a free country?

Mr. WILSON. Absolutely, and I have kept a buyer there ever since.

Mr. DECKER. I notice when you wrote in reply to that letter you said this. They have you quoted here this way:

ARMOUR & Co.,

Chicago, Ill.

DEAR MR. MEEKER: Answering your note of March 24, you are misinformed on the matter referred to. Our people did maintain a salaried buyer in Omaha, as I have previously advised you. In fact, Mr. Harry Booth, who is now our head buyer in Chicago, was himself stationed there for periods of several weeks, and if as you state Mr. Red Murphy undertook to cover up the pur-

chases that he made for this company and destination he did it for reasons of his own and I think you probably know that all of the hogs that he buys are first weighed to him, sorted, and reweighed. This is the practice to-day and no doubt was in former years, when this concern did business with him.

Mr. WILSON. That is a correct statement of what I said at that time, and that is a copy of the letter I wrote Mr. Meeker. In addition to my feeling on the matter, I did not want him to get away with the wrong impression which he apparently had that I was trying to take advantage by some underhanded tactics or something else which did not exist.

Mr. DECKER. What I am getting at is why did not you tell Mr. Meeker that what your firm had done in 1914, they intended to do, was what you wanted to do then? It seemed to me in that letter you recognized that custom that you were basing your right as an American citizen to buy hogs on this market, which the testimony here for the last week has shown was done, that everybody, even the farmers, could go in and buy and nobody would object. In your reply to Mr. Meeker you base your rights to go on that market on the ground that you had gone into it previously?

Mr. WILSON. That was the only reason Mr. Meeker gave I had written as you suggest. That was my feeling.

Mr. DECKER. You felt your right to buy hogs was based on your rights of American citizenship?

Mr. WILSON. Absolutely; and my action all over the country would indicate that I felt that way. I do not ask Mr. Meeker or anybody else where I shall buy my hogs.

Mr. DECKER. It would make a man not familiar with the business get the impression that Mr. Meeker, who was a responsible agent of an old firm, that it was a recognized custom in the business in which you were engaged?

Mr. WILSON. I think they might get that inference from that letter.

Mr. DECKER. Would it not occur to you that unless that was explained that it is conclusive proof that, so far as Mr. Meeker and the Armour people are concerned, they do stand, or did at the time of the writing of this letter, which was in 1917, on the doctrine of dividing up this market?

Mr. WILSON. No; I would not think that. I think they stood on the idea that the man with a plant market like Omaha really ought to have the privilege of buying his stuff, mainly, as against a man in the same line of business and similarly situated who had no investment on that market. I think that is their theory to which I do not subscribe.

Mr. DECKER. Mr. Meeker is the head buyer; he has a responsible position with Armour & Co.?

Mr. WILSON. He is not the head buyer.

Mr. DECKER. Is he the head counsel?

Mr. WILSON. No.

Mr. DECKER. Let us see who this man Meeker is.

Mr. WILSON. He is one of the vice presidents of Armour & Co.

Mr. DECKER. He is a vice president of Armour & Co.?

Mr. WILSON. Yes.

Mr. DECKER. And he is probably pretty familiar with their policy. In writing to you he did not say anything about your company not

having a plant out there and he not having an investment out there, did he?

Mr. WILSON. No.

Mr. DECKER. He just bases it on the fact that you had written him that you had a right to get some of those hogs out there?

Mr. WILSON. No; I had not written him.

Mr. DECKER. He says you had, and in your letter to him you say that you had previously advised him.

Mr. WILSON. I think that is correct.

Mr. DECKER. So you must have written him a letter and said that you wanted some of those hogs up there?

Mr. WILSON. No; I did not write him and say that. I think he wrote me in the first instance about our buying in Omaha.

Mr. DECKER. What I am getting at—and it just occurred to me in reading this over—we have heard Mr. Armour testify, and it did not occur to me before—is that these gentlemen have been telling us that all these markets were just as free as the open air, and the gentlemen who represented the stock yards have explained to us in great detail and very convincingly; they had me convinced until I ran across this letter, that all a man had to do that went on these markets was to go and buy and would not have to ask Armour or anybody else about it; that he could just go through and bid on the stuff and buy what he could pay for or what he wanted. What gave rise to your taking this matter up? It shows there was previous correspondence, that you had written and asserted your right to buy on the Omaha market.

Mr. WILSON. Mr. Meeker got the idea that when the receipts were very low and they were not able to get what they wanted for their plant and nobody else in Omaha was able to get what they wanted and that I was taking hogs out of there, that it was not fair to them, not because we had any agreement or understanding. You did not find indications of such an agreement in the correspondence.

Mr. DECKER. You do not seem to have reached any agreement. You seem to want to go on buying hogs, but he did not seem to think you were right.

Mr. WILSON. I can not help that.

Mr. DECKER. I wanted information about that, where they got the idea that they had a right to write a letter like that, which I should think would have been resented by you. Now, you say they did it because receipts were getting scarce. You have been talking here and I think with a great deal of intelligence, and a great deal of, well, I would say, disinterested foresight, about how these things could be remedied, the way to educate the producers so that they would know more about when to market their stock so that there would not be times of scarcity. You are in favor of that, are you not?

Mr. WILSON. Yes; of course, that might not cover a period where there was any practice at that particular time. It was when the season was off for the run of hogs.

Mr. DECKER. I would like for you to explain under this established doctrine of Mr. Meeker's, when the receipts are large, that you folks ought not to tramp on each other's toes; I would like you to explain what good it is going to do the farmer to get his hogs on the market when the receipts are light?

Mr. WILSON. I did not necessarily help the market by going in there. I tried to help the market at that time.

Mr. DECKER. Suppose there were five men on the market and they also wanted hogs and the hogs are scarce, and then you come in and want those hogs and want them pretty badly. Is it not liable to raise the market a little?

Mr. WILSON. It might temporarily, but nobody would get any particular good out of that.

Mr. DECKER. If you only had one carload on the market, a temporary raise would be what you would be looking for?

Mr. WILSON. Yes.

Mr. DECKER. Suppose you had shipped your hogs in from Kansas and the price went up, that would answer your purpose so far as profits are concerned?

Mr. WILSON. Yes, if it had that effect.

Mr. DECKER. But this temporary jumping up of the market has been guarded against heretofore by this understanding that the man ought to keep to his own territory?

Mr. WILSON. No at all.

Mr. DECKER. Mr. Meeker understood it that way?

Mr. WILSON. I can not help what Mr. Meeker understood.

Mr. DECKER. You did reply to Mr. Meeker and ask Mr. Meeker if you would get your share of hogs up there?

Mr. WILSON. No; I did not.

Mr. DECKER. He says you wrote to him and he replied to you and explained to you that while you had got some hogs they had been gotten by an underhanded method, so that they did not know whether you were dealing on the market, and they did not recognize your right to buy anything you had gotten there.

Mr. WILSON. That did not make me ask him for a share in those hogs. He called it to my attention and said that he thought it was not quite fair for me to go in there at that time, because I had no plan there. That is what—

Mr. DECKER. What did he mean? You know Mr. Meeker pretty well?

Mr. WILSON. Yes.

Mr. DECKER. What did they mean by saying that they failed to see how you can honestly claim any rights to-day for any underhand work that your firm did in 1912? On what theory did you have to ask Mr. Armour for the right to buy the hogs on the Omaha market?

Mr. WILSON. I did not have to on any theory, and I did not ask him.

Mr. DECKER. He intimates you had asked him. He says he failed to see it.

Mr. WILSON. You do not wish any reply to that.

Mr. DECKER. No; I would like for you to look at your files and get your letter, or was that orally; did you ever talk to him about that?

Mr. WILSON. I think it started by my running to him one day in going through the yards.

Mr. DECKER. What did you say?

Mr. WILSON. He brought up the matter and I said I was buying some hogs in Omaha, and I told him I had always bought them

there and I was always going to buy them if I wanted them. Then he wrote that letter, and that is my answer, and he came back with his letter.

Mr. DECKER. And based on that little conversation you must have meant that you based your right to buy on the fact that you had bought there before. At least you did not make the same assertion to him that you are making to us now, that you proposed to buy hogs wherever you could get them?

Mr. WILSON. Yes, I did; coupled up with the other, but he took exception to that, apparently, and thought that was probably a misstatement on my part.

Mr. DECKER. It may be that they have made a mistake in joining you up with these other five packers and that they have an understanding like that, so far as you know?

Mr. WILSON. No.

Mr. DECKER. Would you not think after you had read this, if you lived out on a farm, that Mr. Meeker, representing Armour & Co., thought that there was an understanding about that?

Mr. WILSON. Knowing Mr. Meeker as I know him, I would not think that, but a stranger might think it—that Mr. Meeker thought if he could put anything over of that kind he would do so. But the facts are as I told you, and what he thought had no influence on the situation. I bought there and I have bought elsewhere, and my policy has never changed and it is not going to change, and I have no understanding with Mr. Meeker, or Swift, or anybody else, along those lines, and I never did, so far as that is concerned.

Mr. DECKER. I am sorry you did not write and tell him that when you wrote him then, because it would have saved a good deal of misunderstanding.

Mr. WILSON. That is unfortunate, of course, and I am satisfied that is what I did tell him, but he took that course.

Mr. DECKER. When he wrote you that letter you just answered him in kind?

Mr. WILSON. And let it go at that, and he came back and I paid no further attention to him. I did not even answer that.

Mr. DECKER. You kept on buying?

Mr. WILSON. Yes, sir.

Mr. DECKER. Who is "Red" Murphy; he was a speculator on the market?

Mr. WILSON. He is an order buyer, principally; he buys for a lot of Eastern sellers and other people, and he will go out and buy just what he wants and assort them, assort out stuff for Eastern buyers who want just a certain grade of hogs. He is a big fellow. I know you have in your records a statement showing that he buys many thousands of hogs on the market.

Mr. DECKER. And sometimes when one of these companies that is not used to buying on the market at a given stockyard, or, say, at that stockyard, and would not want to go on the market, they would buy of him?

Mr. WILSON. If I only wanted to dip in there for a few days and I wanted to get hogs where I did not have my packing house, it would be better to wire to this man and tell him to send me 20 loads of hogs. In the first place, I could not get a man on the market for that particular day, a man of my own, and that would be the day

on which I might want the hogs, and that would be the only way I would do, or a small packer would do, as many of them do, wire him and tell him to send me 20 loads or 30 loads. He does, I think, do some speculating, but I think chiefly his business is order buying, and he is a very big operator.

Mr. DECKER. But that is a practice that the Ar

Mr. WILSON. Yes; and he is entirely wrong in that.

Mr. DECKER. I think the people of the country would think he was wrong, too.

Mr. PARKER of New Jersey. Does he not charge you also with shipping them to an unknown destination and reconsigning; is not that one of the grounds of his complaint?

Mr. WILSON. No; he takes the position, as I recall it, that he was used so that my operations would not be known, or that the operations of an old company would not be known at that time. Of course, that is silly, because that is the way this man handles his business; he does not buy the stuff in the name of the packer, Sulzberger, or Kingen; he buys them all in his own name and bills them out.

Mr. DECKER. But this letter does say Mr. Meeker took the matter up with Sulzberger & Co. and that they discontinued it and they did not regard it as a legitimate thing when they come onto the Omaha market without letting them know about it.

Mr. WILSON. What he seemed to take exception to was the method they used, an underhanded way of billing the stuff, the way they did.

Mr. DECKER. Billing the stuff in such a way that nobody would know that Sulzberger was getting some of those hogs?

Mr. WILSON. Probably that was what was running through his mind, but I do not know.

Mr. DECKER. It was undoubtedly in their mind that Sulzberger had no business competing with them up there?

Mr. WILSON. He was entirely wrong in contending that there was any underhand dealing on our part.

Mr. DECKER. There is not any question that this correspondence proves conclusively that Sulzberger had some understanding with those people that he was not expected to do business on the Omaha stock market.

Mr. WILSON. No; I do not think it proves that at all. That is Meeker's claim; that is only one side of the proposition. I do not think it proves that at all.

Mr. DECKER. It proves conclusively that Mr. Meeker thought that Mr. Sulzberger had no rights on the market.

Mr. WILSON. He said it, but I do not know that he really thought it.

Mr. DECKER. He may have been just trying to bluff you; is that your theory?

Mr. WILSON. He would not hesitate to do that if he thought he could get away with it.

Mr. DECKER. Is there any understanding between your company and these other companies that on a certain day the market will be lower or higher?

Mr. WILSON. No.

Mr. DECKER. Each one of you uses your own judgment and instructs your head buyer, giving him whatever instructions you have

to give him as to the market? You do not always instruct your head buyer; you leave it to his judgment part of the time, or do you see him every day?

Mr. WILSON. No; I do not see my head buyer once in three weeks.

Mr. DECKER. Is there anybody in your company besides yourself who is charged with determining the price you will pay, other than your head buyer?

Mr. WILSON. No; except the man who is right out in the yards.

Mr. DECKER. So far as the head office is concerned, your head buyer is the closest man to you, so far as the prices of stock are concerned?

Mr. WILSON. Well, yes.

Mr. DECKER. If you have any instructions to give, you would give them to the head buyer?

Mr. WILSON. I would either give them to him or to the head of the beef department if I had any instructions to give.

Mr. DECKER. So far as you are concerned, there is no agreement that on a certain day you will bid 10 cents higher or 10 cents lower?

Mr. WILSON. None, whatever; and it would not do us any good if there was.

Mr. DECKER. Why?

Mr. WILSON. Because it could not be carried out. You will find, on the average, five days out of the week our head buyer in Chicago will tell our fellow in Kansas City that he ought to buy his stock for less money, but that does not mean that the stuff is bought for less money; the fellow finally goes out and buys them at the best price he can, and no man on earth could go out and tell a man what to bid for his cattle, because there are too minds and too many conditions to go up against. There is no man on earth that could do it and get away with it.

Mr. DECKER. Who is your head buyer?

Mr. WILSON. Mr. Crane.

Mr. DECKER. What position did Mr. Hill hold with your company?

Mr. WILSON. He was the buyer in Kansas City.

Mr. DECKER. Was he head buyer in 1916?

Mr. WILSON. No; he was head buyer in Kansas City in 1916.

Mr. DECKER. And you sometimes sent him around, or did he go around to other stockyards, to see how things were going on and to report to you, did he not?

Mr. WILSON. Well, any head buyer would go around once in a while to keep in touch with the other markets and to keep himself touched up on general conditions.

Mr. DECKER. I notice here that he wrote to you in 1916, in July, saying:

I was in Oklahoma City this week and found things running very smoothly, yet they seemed to have gotten crosswise down there yesterday. Our people bought too many cattle.

What did he mean by that, more than you could slaughter, or do you remember?

Mr. WILSON. No, I think he meant by that that he had actually hogged the market on that day.

Mr. DECKER. He says:

However, I do not know that we are altogether to blame.

He is partially to blame, but he does not say partially to blame. but he says:

I do not know that we are altogether to blame, as Oklahoma's explanation is that they both went into the yards in the morning and bid on the cattle that were there.

What did he mean by that, that they both went into the yards in the morning?

Mr. WILSON. Maybe that will be explained further. I do not know from that just what he means.

Mr. DECKER. You can listen and explain it, because I do not understand what it means in the light of the testimony we have heard this week. [Reading:]

They both went there into the yards in the morning and bid on the cattle that were there, but our boys bought some of the better class of cattle which I supposed they wanted. Then Morris, after buying a very few, quit the yards and went to the house.

Does he mean there that your people bought some that your people wanted, or that Morris wanted?

Mr. WILSON. I would rather gather that our people picked the bulk of the stuff there, the desirable stuff, and bought it, and Morris woke up to the fact, and then they sulked and took their dolls and dishes and went home.

Mr. DECKER. And would not play any more, because they thought it was not fair for you to buy what you wanted?

Mr. WILSON. I do not know what they thought, but that is what I would get from that.

Mr. DECKER. And that is the conclusion your man got from that. that he thought they had not been treated right?

Mr. WILSON. They thought we got the best of them.

Mr. DECKER. So they would not bid any more that day?

Mr. WILSON. You mean they would not buy any more that day?

Mr. DECKER. [Reading:]

When the sellers came to our men, it was either a case of taking the cattle or backing up on them, which they very seldom do on that market. They do not consider it wise. Our men offered to divide some of the larger lots with them.

Who does he mean by "them"?

Mr. WILSON. Probably the Morris people.

Mr. DECKER. [Reading:]

And they refused to take any and all.

Why did he tell you they refused to take any at all?

Mr. WILSON. As I say, they were sore, because we probably had trimmed off the best of the proposition that day.

Mr. DECKER. Why should he get sore about that?

Mr. PARKER of New Jersey. Read the next sentence. The next sentence explains what he meant.

Mr. DECKER. That explains the supposition of this man. I will read the next sentence. It says:

I suppose because we had raised them 5 to 10 cents on some of the cattle they wanted.

Is that any reason to get sore?

Mr. WILSON. It might if they had bid more than the cattle were worth, would it?

Mr. WILSON. It would be if I went through the yards and put a price on every load of cattle in the yards, and the other fellow had no show at all, knowing that I bid that price on it, and that it was 10 cents above the limit for the stock. You must remember that you are dealing with two human beings, two buyers, and they will get to pulling each other's hair.

Mr. DECKER. And it is pretty hard to keep them from competing if you do not watch them.

Mr. WILSON. They are keen in their competition all the time, and this man that the Morris people happened to have there at that time was a big, strong-headed Scotchman, and he is just that kind of a fellow, if it did not suit him he would go into the office and tell them to keep all their cattle.

Mr. BECKER. I wondered how long he had been working for Morris. Did he work there?

Mr. WILSON. He did.

Mr. DECKER. He is an old, experienced man.

Mr. WILSON. He has worked for them for sometime.

Mr. DECKER. He understands his business pretty well?

Mr. WILSON. He is a good cattle buyer.

Mr. DECKER. But he will get sore if the other fellow raises the price?

Mr. WILSON. No; I would not say that at all. He gets sore if he thinks the other fellow is playing some unfair trick on him.

Mr. DECKER. And it is an unfair trick to raise the price?

Mr. WILSON. Not at all.

Mr. DECKER. What did he get sore about?

Mr. WILSON. He would not get sore unless one of our men went in there with a deliberate purpose, just to price the whole yards, knowing he could not sell the cattle.

Mr. DECKER. Your man says this was early in the morning.

Mr. WILSON. Our man might have just picked up some nice ones and caught these gentlemen; our man might go through the yards and price everything in the place and knowing he could not use it and make the prices high for the other fellow.

Mr. DECKER. He says, "I suppose because we had raised them 5 to 10 cents on some of the cattle they wanted." There was some cattle there that this Scotchman wanted?

Mr. WILSON. Yes.

Mr. DECKER. And your fellow raised the price on it?

Mr. WILSON. Our fellow did not want it and apparently he knew the Morris people had some use for that kind of cattle, and he just went over and bid a price that would require them to buy at a loss.

Mr. DECKER. You are just guessing what was in this man's mind?

Mr. WILSON. That is all anybody can do. I am satisfied that is about the situation.

Mr. DECKER. Did that buyer often get mad?

Mr. WILSON. Very seldom. I do not recall another case. This is a very peculiar fellow.

Mr. DECKER. They do not often bid 5 or 10 cents above each other?

Mr. WILSON. Every day, but the facts are that the fellow probably went out and just simply bid up the whole yards. That is a small proposition out there, and a fellow could readily do it.

Mr. DECKER. Five or ten cents is a big raise on the market?

Mr. WILSON. You could not bid less than 5 cents.

Mr. DECKER. It does not seem to me that this fellow ought to have gotten very mad about that if it was not much of a raise. I do not understand why that fellow got sore about that raise, if there was not any understanding.

Mr. WILSON. If you knew the man and his work you would not think it was strange. If you pointed your finger at him when he was not feeling well he would get mad at you, but he is a good cattle buyer.

Mr. DECKER. He will get sore if one of the other buyers will raise the price?

Mr. WILSON. Please do not try to get me to say yes to that kind of a question, because it is not quite fair. I have answered that two or three times.

Mr. DECKER. I guess you have given as much of an answer as can be given. He says:

When the sellers came to our men, it was either a case of taking the cattle or backing up on them.

Does he mean by that that after they had set this price they had to go ahead and pay what they did on the specific cattle?

Mr. WILSON. That paragraph there is what brings to my mind the suggestion that I made, that our fellow priced more stuff than he had any use for, and he could not use the cattle; and this fellow called him and he could not use them and there was only one thing to do, either to buy them at the price or back up on them, to say, "I am going to hedge on my offer; I am going to take them at the price I have given you." This Morris man called him on his bluff: that is all there is to it.

Mr. DECKER. He says:

However, the day I was there they raised us 10 to 15 cents in some places.

And your man did not get sore?

Mr. WILSON. He is trying to justify what our fellow did who made the bid up there.

Mr. DECKER. Does not that look to an ordinary observer as if this man, a trusted employee of yours, was trying to explain to the head man of the company that while you did raise the bid on that Scotchman, yet he ought not to have gotten sore about that because they had done the same thing to him once?

Mr. WILSON. No; he does not say that.

Mr. DECKER. Yes; he does.

Mr. WILSON. He did it to him later, and to get even, the next day.

Mr. DECKER. Just to get even?

Mr. WILSON. Yes.

Mr. DECKER. And about all the bidding, so far as you know, they did there was a question of getting even?

Mr. DECKER. Not at all.

Mr. DECKER. Then they must have put the same value on the stock all the time?

Mr. WILSON. No; they do not buy the same kind of stock all the time.

Mr. DECKER. What strikes me as peculiar, to be frank with you, and if you have any explanation I would like to have you give it, is

why this man in your employ should write you and tell you about those fellows getting sore and that the reasons for their getting sore was the fact that they had bid 5 or 10 cents on cattle, and then goes on to explain that it is true that "he did that, and they did it to us once."

Mr. WILSON. I will tell you why that man wrote me, if you would like to know. In addition to being president of the Wilson, I am president of the Oklahoma National Stockyards. I have always been interested in the development of those yards and, as I told you yesterday, I started them and I have done everything in my power to encourage the live stock business there and build up a successful market for the Oklahoma cattle. He was writing me there more from the interest which he knew I had in that market, rather than in the Wilson Packing Co., with a knowledge of that particular market. If you knew the workings of a market as full as that, you would appreciate that situation. I would like to show you, and I think it would be conclusive in your mind. I told you yesterday that we made no money in our Oklahoma City plant last year. You all know that last year was a good year in the packing business, but we lost \$95,000 in Oklahoma City. During that year we killed 147,000 cattle at Oklahoma City. Now, that \$95,000 divided up over those 147,000 cattle would figure approximately 65 cents apiece, 65 cents a head. On a beef figuring about 500 pounds, I would say that would be 12 cents a hundred or a little over a mill per pound. If we had anything there like you are trying to get me to say we have there, any agreement or understanding on prices, your do not think we would have allowed that condition to continue if only 60 cents a head would have changed it? One of the strongest efforts I make in running our business, or one of the important points I try to look after is, that no branch of the business is on the red side, or the losing side. I knew all the time that this plant was losing money. If we had any such agreement or understanding, or it was possible for us to do what you are intimating, just simply regulate the market to suit ourselves, you would not think it was a very successful proposition if I could not have turned 60 cents a head on this cattle.

Mr. DECKER. It does look that way, that is true; but a man might say that was owing to certain conditions. It was a bad year in Oklahoma, and that if there was not such an arrangement as that and there was strong competition and bidding against each other there might have been more loss.

Mr. WILSON. I do not think he could say that in Oklahoma that year, because we did have a considerable increase in the receipts of cattle in the market over the previous year. It was not a case of the market going down and doing as you say, keeping the cattle from coming in, they were coming through plentifully. We had a lot more cattle than we had the previous year.

Mr. DECKER. It was hogs that fell off?

Mr. WILSON. I am leaving them out, because I knew you would mean that if I mentioned the hogs, that the receipts were light. I am speaking only of the cattle. It was 65 cents a head, or 1 mill a pound or a little over a mill a pound on the beef.

Mr. DECKER. What was the reason you lost money there that year?

Mr. WILSON. Just simply because we could not buy our stuff and maintain the market and give less than the prices we paid, and the

competition there was so keen on the part of other people, the Morris people and other buyers, that it was not possible to buy this stuff for less money.

Mr. DECKER. And you lost money at the figure you bought these?

Mr. WILSON. Absolutely. If we had just gotten out of the beef that came out of those cattle 2 mills per pound we could have made \$95,000 in Oklahoma for the year. You can not get away from that. These suggestions over trifling little things look big to you, and I do not blame you, because you do not understand the workings of these markets, and these men are fighting and scrapping back and forth all the time, and not only those men, but other buyers who run into the same situation.

Mr. DECKER. Here are two big companies doing business at Oklahoma City, and here are the same buyers. They will probably be pitted against each other for over a year.

Mr. WILSON. Maybe yes and maybe no.

Mr. DECKER. But often for that length of time?

Mr. WILSON. Yes.

Mr. DECKER. They both know you want so many cattle and they both know you want them as cheaply as you can get them, and they both know there is no particular hard feeling between those two companies. I do not mean they know there is any understanding; but suppose they can get enough cattle to satisfy you, there is not going to be much competition between those buyers, is there, just out of the natural course of events?

Mr. WILSON. You are eliminating every other company. The two big companies, of course, do not do all the cattle buying by any means. During that year almost a third of the cattle that went in there were bought by other people. There is that element to contend with also; there are not only those two buyers. On that market the total receipts were only 494,000 cattle, and out of that exactly a third were bought by other people.

Another fact that you overlooked is the fact that there are probably commission men at that market who are represented on all of the markets of the country, and they know just as much about the market value of these things as we do; and maybe more, and they are in touch with the market, and in the morning when the trading opens up they know quicker, because they have their own offices in Wichita; they get advice on the market as quickly or quicker than we do, and that is an element that is always working on the other side of the proposition. We have not got it all to ourselves, and we encourage these people; at least I do; I have encouraged them as president of the Yards' Co.

Mr. DECKER. This employee of yours goes on to say in the next paragraph:

It looks very much to me as if they always want the best of things and are not particular about carrying out instructions they get from headquarters, as in the case when they had orders to buy cattle 25 lower and they refused to do so and took, as you remember, practically all the cattle on the market that day.

How did your man know that the other buyers were violating instructions they got from their employers?

Mr. WILSON. This man had gotten that information from me in Chicago three or four days before.

Mr. DECKER. How did he know it?

Mr. WILSON. Because I got it from Mr. Himan, of Morris & Co., whom I had met and talked the situation over with out there, and he told me that he was having a deuce of a time trying to buy cattle in Oklahoma City, and he told me of that particular instance. That was only a very short time after I left the Morris people. What is the date of that?

Mr. DECKER. This is 1916.

Mr. WILSON. What month?

Mr. DECKER. July 22.

Mr. WILSON. You see, that was only a couple of months after I left them, and I had some things unfinished with them, and I happened to run into Mr. Himan and naturally having been associated with him so long—

Mr. DECKER. You brought up the subject of the buying of the stocks on the market that day?

Mr. WILSON. As I recall it, I did not bring it up at all. He mentioned it to me and told me about it, and that man happened to be in Chicago the following Saturday. He comes in once in a while.

Mr. DECKER. What was his name?

Mr. WILSON. Himan.

Mr. DECKER. What did Mr. Himan tell you about the stock market there?

Mr. WILSON. He told me that he had instructed his fellow to buy the stuff 25 cents lower some days than I would like, and this fellow went ahead and paid no attention to him, and I told this to Hill.

Mr. DECKER. Why do you suppose that fellow did not follow his instructions?

Mr. WILSON. Those instructions do not amount to anything. The fellow goes out and buys his stuff on the market when he gets his instructions.

Mr. DECKER. Had you given your man—

Mr. WILSON. Not at all.

Mr. DECKER. Why did your man let the other fellow buy all the stock?

Mr. WILSON. It is an easy matter for a fellow to do that if he wants to. I will guarantee to-morrow that if you want me to get all the cattle in Oklahoma City to-morrow before the other fellow can get a chance, I can do it. But if I did that, how long would the situation continue in Oklahoma City; how long would the two plants be operating there?

Mr. DECKER. It looks like the other fellow would be down earlier and raise the price on you the next morning.

Mr. WILSON. How long would that last if you did that?

Mr. DECKER. That would last until you both got to paying more than the stuff was worth.

Mr. WILSON. Until one of us did that.

Mr. DECKER. No, both.

Mr. WILSON. No; I would not follow that kind of a program very long.

Mr. DECKER. Would not the other fellow that did not buy any be on the market after the other fellow had gone out of business?

Mr. WILSON. Yes; he would have all the market after the other fellow was out of the business there, after his plant would be shut

up in that market. That would be the result, and that would be undoing everything that was done. Oklahoma City paid Sulzberger \$250,000 to locate out there, because a market must have two buyers to be a success.

Mr. DECKER. Why is that?

Mr. WILSON. Otherwise it lacks competition and the people lack confidence in the market.

Mr. DECKER. Would you say if they got to buying more than their share on the market they would go out of business?

Mr. WILSON. If a fellow got up and bought his stuff so that he could have more than his share on the market regularly the other fellow would have to go out of business; what else could I do?

Mr. DECKER. I do not say that is wrong, but it looks to me like this business has reached a point where if there are two big companies on the market represented by experts as to value, that, so far as price is concerned, there is not going to be very much competition.

Mr. WILSON. I do not agree with you at all on that. The competition is there and is very keen, and you can not avoid it if you are going to operate and do your share of the business; it is impossible to avoid it. You must understand that this meat we ship out of Oklahoma City comes in competition with the meat shipped from Kansas City, Fort Worth, Chicago, and everywhere else on the eastern markets, and no man can go on and pay 25 cents more a hundred in Oklahoma City for his cattle and continue to do business very long, because there is not that margin in the beef business.

Mr. DECKER. If either one of you bids more to get enough so that you will get more than your share of that market, you will lose money, will you not?

Mr. WILSON. Not necessarily. If that market had a proper basis, that would be true.

Mr. DECKER. The market is on a proper basis most of the time, is it not?

Mr. WILSON. I think the commission men see that it is. I do not think they let it dip very much below Fort Worth or Kansas City.

Mr. DECKER. And so, intentionally or unintentionally, there is an understanding as to what is each man's share on these markets?

Mr. WILSON. Not at all.

Mr. DECKER. How do you know, then, that you are not buying more than your share?

Mr. WILSON. I know what the other fellow buys. I do not get half of the cattle to-day and half to-morrow. That is not the basis. But I know to-night what he has bought to-day, and I know on Friday night what he has bought all the week. It is published there in the local papers; everybody knows it; it is not private at all; it is everybody's information. Every salesman in the yards knows that these plants are going to get a fair share of the business there. The Morris people have a plant capacity fully as great as ours, and they have an investment fully as great as ours; and you do not expect that they are going to go on there and be satisfied with 25 per cent or 40 per cent of the business. You don't have to have any understanding for that. That is just pure business and nothing else, and I am not going to have less. We had lost before I went along with this concern. They were not supporting that market as I thought they

should support it; they were not putting their shoulders to the wheel and helping to build a market there, and buying as many as I thought they ought to buy; but when I went into this business I went after the full share of the business and got it, and I am going to continue to get it, and that will mean an even supply. You can not stop and have those places continue to do business; the margin is so close that you can not help it.

Mr. DECKER. To keep down the prices fixed it is about this situation, that there are two companies buying stock at Oklahoma City, and you grant that each one of them knows the value of the stock, and there is enough stock to satisfy both of them; there is no incentive, and can not be, for competition.

Mr. WILSON. That is not correct at all. In the first place, there are all the other elements; there are the other buyers, as I have told you.

Mr. DECKER. Let us change the elements. Let us say these other fellows are pretty expert, these independent fellows, and they know the value of the stock.

Mr. WILSON. Yes.

Mr. DECKER. And if there is enough stock on the market to supply all you fellows, you are going to pay what the stuff is worth and no more, and you are not going to compete much about it.

Mr. WILSON. When you talk about prices, it all depends upon the opinion of the man who buys it what he pays for it. When you say 50 per cent, that does not mean our cattle cost the same as the other fellow's. My men will go out and buy cattle 50 cents higher than he will buy it. You can not tell finally the value of the stuff until a man gets into the pen, then after that until he kills the cattle.

Mr. DECKER. What does that mean here, when he says:

Also in the case that I had up with you when in Chicago in regard to buying cattle from the traders. Witness claims he did not know that they had been buying cattle and not having them reweighed, and this had been going on for some months, practically ever since this little fellow, Kohn, has been trading down there.

What does that mean?

Mr. WILSON. There was some business going on down there that was not exactly legitimate. This fellow Kohn was a relative of one of the buyers, and he got a tip in the morning about what these buyers would think would be the desirable stuff, or else he judged it from what they bought the day before, and he would slip out and buy the stuff he knew our fellows wanted, and they would be forced to buy it from him at the higher price in order to get it. Nobody was getting any benefit except this little fellow, who was a parasite. The producer did not get any more and the consumer suffered, so it was not a healthy condition for the market.

Mr. DECKER. And this little fellow Kohn would get a tip as to what the market was going to be?

Mr. WILSON. No; he would not know anything about the market, because he would pick up on some of the little light stuff.

Mr. DECKER. If that little fellow Kohn had judgment to know what the market was going to be——

Mr. WILSON. He would not have to know the market necessarily. He knew that we wanted the stuff.

Mr. DECKER. He would buy in the market?

Mr. WILSON. Not necessarily. He might not pay the full market price, and we would pay over the market price.

Mr. DECKER. But he would buy so quickly that you would not get a chance at it, and make you pay a little more to get what you wanted to get?

Mr. WILSON. Yes; I do not call it legitimate, because I do not see where anybody benefits by it. It is no help to the producers or the consumers; it just adds a tax on the consumer.

Mr. DECKER. It just puts in another middleman to take a slice out, does it not?

Mr. WILSON. Yes. I try to avoid that kind of business. That is what that means.

Mr. DECKER. I am trying to figure out how that would hurt the producer. If this fellow would bid higher, some farmer would get a little bit more.

Mr. WILSON. No; he buys at the price our fellows would pay if they got started out ahead of him; but if we started at 7 o'clock he would start at half past 6.

Mr. DECKER. He was an early riser.

Mr. WILSON. He was out to trim off a few dollars. That is all. It was not legitimate.

Mr. DECKER. It seems to me he would be liable to go broke unless he got a tip on what the other fellows—unless he had awfully good judgment.

Mr. WILSON. It might be one way or the other; I am not sure which it was.

Mr. DECKER. He would make a pretty good buyer.

Mr. WILSON. I would not like to have him. He was not buying on the value of the stock.

Mr. DECKER. He was buying more on his judgment of human nature.

Mr. WILSON. And what he would pick up here and there.

Mr. DECKER. And what he could find out from the buyers?

Mr. WILSON. Or through any other agency that he could get the information.

Mr. DECKER. You did not suspect that any buyers were getting part of it?

Mr. WILSON. I would not like to say that. Those things have happened, however.

Mr. DECKER. If there was an understanding between the buyers as to what the market was going to be, and a little fellow like Kohn would go around and buy at that exact price and make something out of it, the buyers could make a little bit.

Mr. WILSON. He would not have the financial backing to handle much of the stuff; it would be one certain kind of stock—a little light cattle or something else. I do not know just what it was; I only understand that is the way he would operate.

Mr. DECKER. What did you do to him?

Mr. WILSON. I do not know what happened to him, I am sure. I have not followed it up.

Mr. DECKER. Oh, I see here what was done to him—"as soon as we called their attention to this they are not buying"—that is, you folks got together and agreed not to buy from Mr. Kohn after he had bought, and left him in a bad fix?

Mr. WILSON. No; this fellow would buy the stuff, and then the Morris man was buying it at the original weight, so they would lose the shrinkage from the time that they would buy. This man might do that in the morning and the packers' men would not get them until the afternoon, and the matter was brought to my attention as well as that of Morris & Co.

Mr. DECKER. Let us see what was his idea. He had a remedy for this. He goes on to say how much Morris bought from the speculators and how much your people bought from the speculators, and this was the remedy he suggested, and I wondered if you knew whether it was carried out or not. He says:

We will be obliged to do this as long as they continue to buy from them, as the speculators get out in the morning and seem to know the very kind that is best in demand and pick up what they can of this class especially canners. This they will continue to do so long as they continue to buy them.

I suppose he means as long as Morris continues to buy them.

Mr. WILSON. On that basis, yes.

Mr. DECKER (reading):

I think about as good a way to handle that proposition is to give our men instructions to buy about 50 per cent of the beef cattle received on the market when in line, regardless of what others do, as we have had three or four different buyers there since the opening of that place, and they have all made the same complaint that others were always wanting the best of things.

Mr. WILSON. I think that was the disposition. I think also that is true of this man who wrote that. He wants the best of it, too. In other words, his recommendation was that he go and see that they got 50 per cent of the business and that we take 50 per cent. I am not hiding from that fact at all. That was positive and definite. We had a \$6,000,000 investment there, and I was not going to permit anybody to have any big end of the business if I could help it.

Mr. DECKER. I think that is all.

The CHAIRMAN. You have been exceedingly patient and kind, but Mr. Hamilton wants to ask you a few questions.

Mr. HAMILTON. I wanted to put another question, if I could. Some statements have been made here with a view of summing up, if possible, the relation of the packers, the retailers, and the consumers to the price of a piece of steak. It has been stated that the amount received by the packers for the meat of a steer is less than the amount paid for the live animal. Is that substantially true?

Mr. WILSON. Yes.

Mr. HAMILTON. It has also been stated that the by-products of the steer make up the difference and result in total receipts which are enough to cover the expenses and yield a profit. Do you confirm that?

Mr. WILSON. Yes, sir; if they make a profit.

Mr. HAMILTON. In December, 1918, the packers were selling to the retailers here in Washington, as I gather, carcass of an average steer at 20 cents a pound, or about that. Now, it is stated the methods of cutting differ to some extent, but that a carcass is divided into parts approximately as follows: 1, porterhouse steak; 2, sirloin steak; 3, rib; 4, round and rump steak; 5, chuck; 6, miscellaneous; 7, plate; 8, bones; and a small amount is allowed for shrinkage. Have I got that about right?

Mr. WILSON. Well, substantially. Of course, we do not cut into steaks, as you suggest. That is the retail cut.

Mr. HAMILTON. That is the way the retailer cuts it?

Mr. WILSON. Yes.

Mr. HAMILTON. Assume a sirloin steak is sold for 40 cents by the retailer—and that, I assume is a lower price for a steak here on the market—and assume that—what is not true, I think—there is a half pound of so-called small steak; and assume further, which is probably not true, that it is sirloin, and the return you get is 20 cents for the half pound; is it not?

Mr. WILSON. Yes.

Mr. HAMILTON. Prices range from \$1 to \$1.50 in hotels here, which seems to be a trifle high to the average man, taking into consideration the profits that the packers are making out of the steer. How does that strike you?

Mr. WILSON. That strikes me just like an experience I had in this town last summer. I walked along by the market and I saw the most beautiful asparagus and marked 5 cents a bunch. It was at the height of the season; and that evening I went to a hotel in Washington and ordered asparagus, and it cost me 60 cents with a little butter on it. I do not know whether their hotel service cost that much or not. I think that is one of the things that ought to be coupled up with the whole investigation.

Mr. HAMILTON. That very condition is what makes the average man restive; it makes him feel that there is some commercial condition that controls him like the forces of nature, and he is obliged to pay exorbitant prices without good reason, and therefore makes him want to reach out and punish somebody somewhere.

Mr. WILSON. I think that is in the situation, probably.

Mr. HAMILTON. I have boiled it down, because I want to get it so that the average man can see just about the relation of the packers, the retailers, and the consumers of an ordinary steak. That is all.

The CHAIRMAN. Mr. Doremus wishes to ask you a question.

Mr. DOREMUS. I believe you testified yesterday that at the time these bankers approached you and asked you to take charge of the business of Sulzberger Sons & Co.—

Mr. WILSON. That is one reason we changed the name, because of the difficulty people had in pronouncing it.

Mr. DOREMUS. They own 60 per cent of the common stock?

Mr. WILSON. That is the statement there in the Federal trade report.

Mr. DOREMUS. I think that was your testimony yesterday.

Mr. WILSON. I have stated that they said that; I do not know how much. I think that was substantially correct.

Mr. DOREMUS. Since then their holdings of common stock have been reduced to about 10 per cent?

Mr. WILSON. Yes.

Mr. DOREMUS. Are Wilson & Co. incorporated under the laws of Illinois?

Mr. WILSON. New York. The company was originally a New York concern. Their first plant was in New York.

Mr. DOREMUS. Did the company issue any preferred stock?

Mr. WILSON. It has out \$10,474,000 of preferred stock.

Mr. DOREMUS. And is that preferred stock quite generally distributed or held by comparatively few people.

Mr. WILSON. It is pretty well scattered.

Mr. DOREMUS. I call your attention to a statement of the Federal Trade Commission in its report, or in the summary of its report, reading as follows:

To-day, as Willson & Co.—

Referring to the old firm of Sulzberger & Sons Co.—

It has a larger number of stockholders, but the absolute control of the corporation is vested in a voting trust, consisting of Thomas E. Willson and four New York bankers—Charles H. Sabin, Harry Bronner, A. Barton Hepburn, and Elisha Walker.

Is that a correct statement?

Mr. WILSON. Yes; that is the voting trust.

Mr. DOREMUS. The voting trust controls the affairs of the corporation?

Mr. WILSON. It votes the common stock.

Mr. DOREMUS. So the fact that the holdings of these bankers in the common stock of the company has been reduced from 60 per cent to 10 per cent has not interfered with the control of those bankers over the affairs of the company?

Mr. WILSON. To the extent they could devote the stock, that is correct. Of course, that trust only last about a year.

The CHAIRMAN. That is the same matter you explained yesterday. I called them bankers and you called them trustees.

Mr. WILSON. That is the same matter.

The CHAIRMAN. That was all gone over in full. That voting trust ceases in a year and a half?

Mr. WILSON. It is not longer than that.

The CHAIRMAN. It had five years to run?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Mr. Wilson, we are much obliged to you.

Mr. WILSON. There has been a good deal of talk about new plants starting up, independent plants around the country, and I have a statement of the number of plants that are being started. It will not take but a minute to read it.

The CHAIRMAN. You can put it in without reading it if you want to.

Mr. WINSLOW. I would like to have him read it.

Mr. WILSON. There is a new plant started up within about a year at Des Moines, Iowa, called the Iowa Packing Co. That is now operating. There is a good-sized plant now under construction, known as the Midland Packing Co., at Sioux City, Iowa. That is a good, large plant.

There is another at Omaha, Nebr., known as the Skinner Packing Co.; that is practically completed and to be started up shortly.

There is one being constructed at St. Paul, Minn., known as the Farmers' Cooperative, a big plant which is about ready to be started.

There is one at Tifton, Ga., the Tifton Packing Co., which has been operating for about a year.

The Block Packing Co., of Macon, Ga., opened recently.

Moran & Co., at South San Francisco, Cal., recently opened, within a year.

The Neuhoﬀ Packing Co., of Nashville, Tenn. That is a small concern that was operating at Nashville, and they are making extensive improvements.

The Ruddy Brothers Packing Co., of Kansas City, Kans., has been operating about a year.

The Anheuser-Busch people have announced that they are incorporating a packing company and will go into the packing business, and another brewery, at Dubuque, is to be converted into a packing house.

The CHAIRMAN. If there is anything else you wish to put in you have the privilege of doing so when you revise your remarks, and anything additional bearing on the same subject which will give light, you have the privilege of putting into the record.

Mr. WILSON. I thank you for that. I just want to leave this one further thought: According to the Food Administration regulations we were authorized to make 9 per cent. According to the statement which has been turned out which has passed into the hands of the Federal Trade Commission, all of the large packers made 5.6 per cent. I want to submit to you gentlemen the question whether if we had such an organization among the five packers as the Federal Trade Report tries to prove; if we had the monopoly and the facilities for doing the things that they claimed, when the Government—and when the Food Administration acted, I say it was for the Government—when the Government authorized us to make 9 per cent and we made 5.6 per cent, I want to submit that as the last thought here to consider, and I think that contradicts absolutely the possibility of any such things as are contended there.

Finally, I want to thank all of you gentlemen for the patience you have shown here, and for the earnest effort that you have indicated in getting at the facts, and in connection, and it has been a great privilege to me to be able to talk to you for these two days.

Mr. Armour extended an invitation to you to visit Chicago, according to the record, and I would like to add my invitation to that. I think it would be a wonderful thing for this committee, or a part of it, to visit some of these packing centers and get first-hand information and see what this problem is. It would be well worth your while, no matter what time you might happen to take, and we will turn open to you all our facilities, our books, our accountants, and everybody who will give you everything we have got. I think it would be very interesting for you to go out on horseback, if you want to, in the yards and see all the operations, and I think you would be convinced without a question that this is a really competitive business. I am convinced of it, and I think you would be.

Some references were made about the fact that the statements here were not under oath. I want you gentlemen to understand that I am perfectly willing to take oath to all that I have said to you, and I have been just as careful in answering your questions as if I was under oath. I think you very much for this privilege.

The CHAIRMAN. We are very much obliged to you, Mr. Wilson.

STATEMENT OF ARTHUR G. LEONARD, ON BEHALF OF THE UNION STOCKYARD & TRANSIT CO., OF CHICAGO.

Mr. LEONARD. Gentlemen of the committee, in discussing this bill I propose to place before you in a genral way (a) the corporate history of the Union Stokyard & Transit Co., of Chicago; then (b) in a general way to discuss the activities or functions of the Union Stockyard & Transit Co. with respect to the handling of live stock, and (c) the attitude of the corporation, its officers and stockholders toward the pending legislation.

The live-stock markets and stockyards of the present day are the natural outgrowth of the old world market day or fair held in neighboring towns. This old-world method could not be followed in this country for the reason that distances were great and settlements spread so far apart that regular market days could not be held. Consequently live-stock markets were established. One of the directors of this company, Mr. Lafayette Funk, of Bloomington, Ill., in former years regularly drove his live stock from Bloomington to Chicago, a distance of 140 miles, and often to Milwaukee, a still greater distance of 85 miles.

In the early sixties there were several live-stock markets in Chicago where cattle were sent for sale and sold. The condition was unsatisfactory both to the producer and killer, owing to fluctuations in market prices between the various markets in the same city at the same time.

Partially to remedy this condition and partially for the purpose of establishing a market which would attract live stock offered for sale from all the territory which might be tributary to Chicago and conceiving even in those early times the possibility of creating the greatest live-stock market of the world, the railroads and others having stockyards in Chicago consolidated the various stock markets into an organization called the Union Stockyard & Transit Co. of Chicago and obtained a charter for such stockyard company from the State. The railroads contributed the money toward the enterprise, owned the stock, and elected the directors. The stockyard company so incorporated acquired a portion of its present property which was then far beyond the city limits of Chicago, and the enterprise was started.

This condition of affairs, to wit, the ownership by the railroads of the capital stock of the stockyard company and the election by the railroads of the directors of the stockyard company, continued for a period of years, until the railroads found it undesirable to attempt to operate as an adjunct to their railroad systems a stockyards company, sold their stock to outside investors, and about the year 1890 ceased to have any representation on the board of directors.

As a result of such changes the ownership of the capital stock of the company became widely scattered here, there, and yonder throughout the United States. Shortly after this time the necessity of additional financing for the corporation became very pressing. The corporation had already expanded far beyond the dreams of its early promoters. New capital was required for enlargements and betterments. On the other hand, the charter of the company as fixed in 1865 limited the amount of bonded indebtedness which the com-

pany could incur. In order to meet this exigency the stockholders of the company conceived the idea of organizing a holding company and of raising, through collateral trust securities issued by the holding company, capital necessary to meet the ever-growing demands of the operating company. This explains the organization of what is now known as the Chicago Junction Railways & Union Stockyards Co. of New Jersey.

With money acquired through the holding company and through the assistance of the holding company additional land was purchased and large capital expenditures were made by the corporation for improvements and betterments. The corporation also, together with the holding company, adopted the policy of offering inducements to increase the number of buyers appearing in the yards; that is, to increase the competition for live stock coming to the stockyards for sale. This policy on the part of the company was very successful. It was so successful that notwithstanding the fact that Congress, by the act of Congress of 1903, as construed by the Supreme Court of the United States in the Pfaelzer case, prohibited the company from continuing its policy of making or offering inducements to new packing houses, the attractions offered by the yards, however, had already been developed to such an extent that, in addition to the so-called five big packers which are mentioned so frequently by the Federal Trade Commission, there are, as a matter of fact, some 40 or 50 packing houses at the present time doing business and buying cattle at the market of the Union Stockyard & Transit Co.

At the risk of repetition, and for the sake of emphasis, I desire to impress upon the committee the importance of the statement last made, to wit, that the corporate history of the Union Stockyard & Transit Co. of Chicago, shows that it has constantly sought to increase the number of buyers at its market; that until Congress prohibited it from so doing, it used its corporate funds for that purpose; that, as a result of its efforts over a period of years there are now, in addition to the five big packers, some 40 to 45 local packers and partnerships buying stock at its market and engaged in the packing business. Not only so, but the market furnished by the stockyards has been placed upon such a broad and comprehensive basis that buyers of live stock from all over the United States are constantly found at the Chicago markets buying live stock, not only for packing-house purposes, but also for feeding purposes.

I come now, gentlemen of the committee, to the functions or activities of the stockyards company with respect to the handling of live stock and the service that it renders the producer.

Under its charter the Union Stockyard & Transit Co. engages in a number of activities which are not essentially related to the handling of live stock and in a number of activities which bear a very close relation thereto.

Confining myself to the latter, in the first place, the stockyard company has constructed, maintains, and operates a very large and commodious hotel for the convenience of the patrons of the market which exists by reason of its yards. At this hotel guests from all over the world are welcome and are provided for.

The stockyards company also has erected a large office building in which it rents offices to commission men and others doing busi-

ness at the market. These offices or rooms are open to any tenant with good standing, who desires to rent the same, and, let me say right here, gentlemen, that any man can buy or sell at the market of the Union Stockyard & Transit Co. of Chicago; there are no restrictions of any kind or character which tend to limit the freedom of the market.

With respect to the handling of live stock: The railroad companies transporting live stock from all parts of the United States come in under their own power to the unloading docks and platforms established by the Union Stockyard & Transit Co. of Chicago. These stock trains are likely to arrive at any hour of the day or night. As many as 3,200 cars loaded with inbound live stock have been delivered at these platforms for unloading in one day. The average train, containing 40 cars of live stock, is immediately unloaded by the employees of the stockyards company. This is so expeditiously done that it frequently happens that by the time the railroad company can switch the engine drawing the train in from the front of the train to the rear of the train for the purpose of drawing it out, the entire train will be unloaded. To state it in another way, these trains are unloaded so expeditiously that on the average a train is unloaded before the waybills can be called off.

The cattle so unloaded are placed by the stockyards company at what are known as the unloading chute pens. The commission men to whom they are consigned by producers from all over the United States are immediately notified of the arrival of the stock and of the chute pens in which the consignment to each commission man has been placed. The commission men thereupon visit the chute pens with their employees, take possession of the cattle and place them in permanent pens, where they are kept until disposed of by the commission men in the open market.

During the year 1918 there were received at the Union Stockyard & Transit Co. of Chicago 17,779,435 head of cattle in 309,196 cars. On the other hand the total outbound shipments amounted to 3,288,440 head of live stock contained in 62,265 cars.

Outside of the service of unloading and loading, the stockyards company has nothing whatsoever to do with the cattle, except to water them, to house them, and, on order of the commission men or their representatives, to feed them until they are sold.

The interest of the producer is the interest of the stockyards. The two are linked together inseparably. At this very instant they stand shoulder to shoulder in a controversy with the railroads before the Interstate Commerce Commission in a case long pending there, wherein the railroads are trying to shift onto the producer the expense of unloading the live stock. In this litigation the stockyards and the producer are both insisting that the service of unloading should be paid for by the railroad company, and not by the producer.

A few years ago the stockyard company, realizing that land, labor, and time were all too expensive to justify the producers in spending from three to four years in preparing a steer for the market, caused the organization of a corporation, not for profit, known as the International Live Stock Exposition. This corporation has for years given an annual exposition of live stock in the amphitheater constructed for that purpose by the Union Stockyard & Transit Co. of Chicago.

To this exposition cattlemen, producers, and packers, as well as thousands of farmers, come from not only all parts of the United States, but from all parts of the world. There the producer is taught the secrets of breeding and feeding so that better live stock can be fattened and marketed in an average of two years instead of from three to four years, as was formerly required.

The exposition company has organized clubs in the various counties of the several cattle-producing States, where it offers a prize to the boy or girl who succeeds in producing each season the heaviest cattle. The prize consists of a free visit to the annual live-stock exposition conducted by the yards. The competition resulting from the organization of these clubs and the offering of a prize has been and is exceedingly keen. Through the instrumentality of this exposition alone the Union Stockyard & Transit Co. of Chicago claims that it has contributed to the producer an economic benefit of such enormous value as to be impossible of computation.

Whatever the stockyards company can do to make its market more attractive to the producer, common sense requires it to do, because the more cattle that are shipped to its market, the more attractive its facilities become to the producer.

As a matter of fact, however, what the stockyards really do for the producer is to maintain a hotel for the producers' cattle until they are sold. So far as the stockyards company is concerned, the packer is nothing more or less to it than any other buyer doing business at the market provided by the stockyards. And it has been the effort of the Union Stockyard & Transit Co. at Chicago to increase, by every conceivable means known to the law, the number of these buyers. In this it has been successful.

The Union Stockyard & Transit Co. of Chicago now owns and operates an open market where more cattle are bought and sold than in any other two markets in the world.

This naturally leads me, gentlemen, to discuss the attitude of the Union Stockyard & Transit Co. of Chicago, its officers and stock holders, toward the pending legislation.

We solemnly assert, without fear of contradiction by those that confine themselves to the truth, that to the extent it is stated or suggested that the property or policy of the Union Stockyard & Transit Co. of Chicago is dominated or controlled by the so-called five large packers, or that it is within the power of any one of the so-called five large packers, or of any combination of large or small packers, to dominate or control it, such statement or suggestion is wholly without foundation in fact.

It has been asserted that the reason or moving cause of the pending legislation and of those supporting it is through it to strike directly or indirectly at the packers. If this be so, it must be clear to the most casual observer that the passage of this bill, and the subsequent acquisition or control of the property of the Union Stockyard & Transit Co. of Chicago would be a wholly useless step in such a program.

It must be evident to every thoughtful man that the ownership or operation by the Government of these yards would not place in the hands of the Government or any of its officials any other or greater control over the packers than the Government has to-day. The Government, by taking the stockyards, would not get any control direct

or indirectly over the packers. As has been stated, all that the Union Stockyard & Transit Co. of Chicago does with respect to live stock is to feed and house the cattle which are sent to its market from all over the United States and Canada until such time as they are sold and pass into the hands of the purchaser. That is its only function. With respect to such function it makes no difference to the packer who furnishes the market so long as the market is furnished.

In this connection this company begs leave to ask this committee that if, in spite of the facts contained in this statement, the committee should feel that the ownership by Mr. Armour of a negligible percentage of the capital stock in a holding company which owns the stock of the operating company is objectionable, then why not by law make it unlawful for anyone to be jointly and simultaneously interested in a stockyards company or the capital stock of a stockyards company and a packing house doing business at its market? While this company, its officials and stockholders do not believe that there is any necessity for such legislation, nevertheless they respectfully submit to the committee that such legislation would be far better for the country than for the Government either to take the property of this company or to regulate it, and destroy its independence and stifle the initiative of its officers. In addition to the fact that the ownership or control by the Government of the stockyards would not in the slightest degree affect the packers, so long as a market was furnished for the sale of live stock, the Union Stockyard & Transit Co., of Chicago, its officers and stockholders, upon the question of the general policy of the acquisition by the Government of its stockyards, respectfully make the following statement:

First. As citizens of this country they would greatly deplore the entrance by the Government into this additional field of commercial activity. Such action on the part of the Government is objectionable, not only for political reasons, which are self-evident, but also because (a) it destroys initiative, (b) impairs efficiency, (c) induces rigidity in operation where there should be the greatest of flexibility, and (d) increases costs.

Not only so, but if the Government should take the stockyards or attempt to control them it would find itself in a maelstrom of a triangular fight, wherein the producer was clamoring for higher prices, the wage earner for higher wages, and the consumer for lower prices. How the Government, which would then be responsible both for costs and prices, could meet these antagonistic and irreconcilable demands passes human comprehension.

Second. As I have said, as citizens of this country this company, its officers and stockholders, are opposed to this legislation. But as personal owners, seeking their advantage, irrespective of the welfare of the country at large, this company would be very glad to have the Government pay it the fair value of its property, and it would be very glad to distribute the proceeds of such payment to its shareholders and to retire from this field of business.

For many years the earnings of this company were put back into the property. Not only so, but the property has greatly enhanced in value. If, instead of making capital disbursements out of the surplus for a period of years, and following what was once supposed to be a conservative financial policy, the company had capitalized all of its capital disbursements and had taken into its capital account the

increased value of its property, as now seems to be the fact, the rate of dividends which could be paid upon such a capitalization out of the earnings of the company would be exceedingly small.

Third. While, as has been said, the company would be glad to have the Government take its property and pay for it, yet its officers and directors protest against the passage of any legislation which will still further subject them to regulations promulgated by public officials who have none of the interest of owners and none of the responsibilities of ownership.

They respectfully insist that if the Government proposes to assert the privilege of ownership over their property, the Government should, in fact, become the owner and assume the responsibilities of one.

It should not make it impossible for the real owner to exercise the rights of an owner.

They protest against having their business squeezed dry by Government regulation without ownership, as they believe to have been the case with great public utilities within the past few years.

They respectfully assert that they have always managed their business with due respect to the rights of the public; that they have furnished a great facility for the marketing of live stock, which has been and is open to the entire world, and is the largest facility of its kind in existence; that their management has given cause for little, if any, public criticism.

Irrespective of the truth or falsity of the charges made against the packers, irrespective of the sources from which such charges emanate, or the merits or demerits thereof, this company respectfully asserts that it is not responsible therefor; that this company has a clean record of more than 50 years of service, which has, in the main, been satisfactory to those who have been making use of its markets.

The company, its officers, and directors respectfully submit that it is neither just nor fair, nor economically sound, nor politically desirable, that the Congress of the United States should now attempt to deprive the company and its stockholders of its property or its ownership.

Mr. ESCH. Under the laws of what State is the Union Stockyards & Transit Co., of Chicago, organized?

Mr. LEONARD. Laws of Illinois.

Mr. ESCH. Is that a holding company?

Mr. LEONARD. The holding company is known as the Junction Co., Chicago Junction Railways and Union Stockyard Co., of New Jersey.

Mr. ESCH. Was this company a company which issued warrants instead of certificates of stock?

Mr. LEONARD. I have no knowledge of that, sir, except what I have read or heard since I have been here. I understand that a Maine company has issued warrants.

Mr. ESCH. What relationship has this Maine company to either your parent company or this holding company?

Mr. LEONARD. So far as I know, personally, sir, it has no relation. I had no knowledge of the Maine company until I read the Federal report.

Mr. ESCH. You know nothing of the operations of this Maine company, then?

Mr. LEONARD. No, sir.

Mr. ESCH. And know of no reasons for its organization?

Mr. LEONARD. None whatever. I know nothing whatever about it. I am the president of the operating company in Illinois.

Mr. ESCH. And therefore you have no connection with this so-called Maine organization?

Mr. LEONARD. None whatever.

Mr. ESCH. Do you know a Mr. Prince?

Mr. LEONARD. Yes, sir.

Mr. ESCH. What relationship does he sustain to the Maine corporation?

Mr. LEONARD. I do not know except by hearsay, sir. I want to answer it explicitly, and I have no knowledge of it.

Mr. ESCH. Then, so far as your knowledge goes, you know of no reasons for the organization of this Maine corporation?

Mr. LEONARD. No, sir.

Mr. ESCH. Do you know of your own knowledge, or from any other source of information, as to whether or not Mr. Armour, who does hold stock in the company of which you are president, has any connection or any ownership in the so-called Maine organization?

Mr. LEONARD. No, sir; I do not know.

Mr. ESCH. Do you know whether or not any of the officers of your organization have stock or warrants in the Maine corporation?

Mr. LEONARD. I am answering for myself and my subordinates, and I have knowledge that they had no knowledge of the organization of this Maine corporation, and therefore they would have no warrants. I have never seen the warrants.

Mr. ESCH. One of them was exhibited here before the committee, I think, and there is so much mystery connected with that Maine organization that I think it is up to somebody to explain it fully for the benefit of the record.

Mr. LEONARD. I would gladly do so had I the knowledge or the information, sir.

Mr. ESCH. The Chicago stockyards are considered by the Interstate Commerce Commission as a common carrier?

Mr. LEONARD. In the Pfaelzer case it was so held.

Mr. ESCH. That subjects the corporation, therefore, to control by the Interstate Commerce Commission?

Mr. LEONARD. I presume so.

Mr. SHAW. Might I interrupt a second, Mr. Esch? I tried that Pfaelzer case and argued it in the Supreme Court, and the inquiry which you make of Mr. Leonard, it seems to me, can only be answered by a lawyer. I have no desire to take the stand, but I am perfectly willing to explain that Pfaelzer case if you desire it. The stockyards have many different activities, one of which was as owner of a railroad which has nothing whatever to do with its stockyards facilities at all.

Mr. ESCH. When you come on the stand we can make those inquiries.

I notice, Mr. Leonard, in your statement, you give the number of inbound and outbound heads of cattle?

Mr. LEONARD. Yes, sir; live stock.

Mr. ESCH. A superficial calculation indicates that the outbound amount to a trifle more than one-fifth of the inbound.

Mr. LEONARD. Yes, sir.

Mr. ESCH. What would that indicate as to the purchase on the Chicago stockyards of stock by traders, by farmers, by individuals, or corporations not connected with the big packing institutions?

Mr. LEONARD. A list of the purchasers can be furnished. However, this one-fifth is a very low percentage for 1918, by reason of the 17½ cent price put on hogs. The 17½ was made the Chicago basis, and then there was an equalization made through the country, so there was very little shipping of hogs from Chicago. There was a surplus at all markets on their getting equalized price at the various markets through the eastern country.

Mr. ESCH. Is the percentage lower than the normal, or higher.

Mr. LEONARD. Just a little lower, by reason of the leanness in the shipment of hogs. There have been a great many hogs shipped to New York points and New England points.

Mr. ESCH. How many stockholders are there in the stockyards company, the Union Stockyard & Transit Co.?

Mr. LEONARD. That stock is held by the Jersey company.

Mr. ESCH. I see; it is the holding company.

Mr. LEONARD. Yes, sir.

Mr. ESCH. How many are there in that?

Mr. LEONARD. I have no knowledge of that, sir.

Mr. ESCH. Are there any others of the so-called big five packers that are interested in the Union Stockyard & Transit Co.?

Mr. LEONARD. Not to my knowledge, and they have all disclaimed any ownership, Mr. Swift, Mr. Morris, and Mr. Wilson.

Mr. ESCH. You suggest in your statement an alternative proposition, in lieu of Government ownership, management, control, and so one, when you say:

While this company, its officials and stockholders, do not believe that there is any necessity for such legislation, nevertheless, they respectfully submit to the committee that such legislation would be far better for the country than for the Government either to take the property of this company or to regulate it and destroy its independence and stifle the initiative of its officers.

Mr. LEONARD. Yes, sir.

Mr. ESCH. Do you think that alternative proposition, if acted upon, would meet all the requirements of the situation?

Mr. LEONARD. If it is deemed necessary, sir.

Mr. ESCH. This alternative would be following the example of the Clayton Act wherein we prohibit interlocking directorates, joint ownerships, and so on?

Mr. LEONARD. Yes, sir.

Mr. ESCH. Was that in your mind when you suggested that alternative proposition?

Mr. LEONARD. Yes, sir.

Mr. ESCH. For like reasons?

Mr. LEONARD. For like reasons.

Mr. DECKER. What is the source of your revenue?

Mr. LEONARD. The source of our revenue is primarily yardage, receipts of cattle, hogs, sheep, horses, and the revenue from feed.

Mr. DECKER. Do you get so much a car?

Mr. LEONARD. For yardage?

Mr. DECKER. No; for putting the cars in there. I thought you said you had 2,000 cars?

Mr. LEONARD. We unload cars.

Mr. DECKER. For how much?

Mr. LEONARD. Fifty cents a car.

Mr. DECKER. Fifty cents a car?

Mr. LEONARD. Yes, sir.

Mr. DECKER. Are your charges about the same as they are at the other markets?

Mr. LEONARD. Yes, sir.

Mr. DECKER. I did not hear the first part of your testimony. You get yardage. Is that by the head?

Mr. LEONARD. That is by the head; yes, sir.

Mr. DECKER. Then, you charge for your feed?

Mr. LEONARD. Yes, sir.

Mr. DECKER. And you charge 50 cents a car for unloading?

Mr. LEONARD. Yes, sir.

Mr. DECKER. And what else?

Mr. LEONARD. Then, we get 50 cents a car from the railroads for loading stock into the cars, outbound.

Mr. WINSLOW. On what basis of profit do you make your charge for feeding?

Mr. LEONARD. Our profit for hay last year was about \$3 a ton.

Mr. WINSLOW. What was it on a percentage basis?

Mr. LEONARD. Well, the hay cost us, on an average, about \$33 a ton.

Mr. WINSLOW. Last year?

Mr. LEONARD. Yes, sir.

Mr. WINSLOW. Less than 10 per cent?

Mr. LEONARD. Yes.

Mr. WINSLOW. And about the same for the grain?

Mr. LEONARD. The price of corn has been on a sliding scale. Our corn would show about 40 cents a bushel, a profit from 35 to 40 cents.

Mr. WINSLOW. And you vary those hay and grain charges from time to time?

Mr. LEONARD. Yes, sir.

Mr. WINSLOW. With the market?

Mr. LEONARD. Yes, sir; with the market. The price of hay has been abnormally high this year.

Mr. WINSLOW. And you have increased your charge?

Mr. LEONARD. Yes, sir.

Mr. WINSLOW. If it gets cheaper you let it down?

Mr. LEONARD. We let it down; yes, sir.

Mr. WINSLOW. And the charges run from 20 to 33 per cent profit?

Mr. LEONARD. It is about 10 per cent profit.

Mr. WINSLOW. Net?

Mr. LEONARD. Net; that would be net.

Mr. WINSLOW. After you pay your men for distributing it?

Mr. WINSLOW. Yes, sir.

Mr. DECKER. I notice in the afternoon paper that there was a subsidy given by the stockyards company to the packers to stay in Chicago. When was that?

Mr. LEONARD. That was more than 20 years ago. I went there 20 years ago, sir.

Mr. DECKER. Prior to 20 years ago?

Mr. LEONARD. Yes, sir.

Mr. DECKER. You know nothing about that?

Mr. LEONARD. No; I do not know. I have not the date of that in my mind; no, sir.

Mr. DECKER. What is your connection with the stockyards company?

Mr. LEONARD. President.

Mr. DECKER. President of the company?

Mr. LEONARD. Yes, sir.

Mr. SHAW. Mr. Decker, may I interrupt just a second? While these things all happened long prior to my time—in fact, I was just graduating from law school about the time it happened—nevertheless I have had occasion to make a historical study of it, and if you have any curiosity about that I would be glad to answer your inquiry.

Mr. DECKER. I notice that Mr. Swift testified this afternoon, or to-day, that it would be better for the stockyards if the packers were at Gary, Ind. What are your views on that?

Mr. LEONARD. I disagree with him entirely.

Mr. DECKER. He thinks that it is a more economical place to run the packing plants of the stockyards. He does not seem to tell here why he thinks that way.

Mr. LEONARD. I can not tell what is in his mind.

Mr. DECKER. But you think Chicago is a good place for the stockyards?

Mr. LEONARD. Absolutely.

Mr. DECKER. What are the sanitary conditions there in your stockyards? Are they kept clean?

Mr. LEONARD. Yes, sir.

Mr. DECKER. I notice there is some evidence of complaint about the cleanliness.

Mr. LEONARD. Undoubtedly. It is a curious condition, due to this 17½-cent price on hogs, that we have had 176,000 hogs in the yards at one time during the last month. The farmers evidently feared that the 17½-cent price was to be taken off, and they rushed the hogs to the market. The killing is running between 45,000 and 50,000 hogs a day. The price is fixed at the 17½ cents; and, as Mr. Wilson told you, they even pay higher prices than they could get them for. The people would be willing to sell them for a lower price, but they can not buy them for a lower price, because they had agreed to pay 17½ cents; and we have that stock of hogs there in the market awaiting killing opportunities, if you please.

Mr. DECKER. Then, it is hard to keep your stockyards clean with so many hogs?

Mr. LEONARD. When you have so many visitors in your parlor, you know, committing murder, it is a rather difficult proposition. In addition to that, we have had a very serious time in regard to obtaining labor until within the last few weeks.

Mr. DECKER. What have you been paying for labor?

Mr. LEONARD. The men that clean the yards in the month of January have drawn as high as \$1.88 in the month, 43 cents an hour for eight hours, time and a half for overtime, and then they have mad-

an appeal for 70 cents an hour, with the same rate for overtime. I appeared before Judge Alschuler on that recently.

Mr. DECKER. How is the labor market now? Have you had any trouble getting labor recently?

Mr. LEONARD. It has improved. I have been down here two weeks waiting for this opportunity, sir, so I am a little rusty on the job.

Mr. DECKER. You do not know?

Mr. LEONARD. I assume that there is sufficient labor at the present time, but you know what the January thaw does to a city covered with snow and ice. Chicago, of course, is quite different from Washington.

The CHAIRMAN. In your statement you say:

During the year 1918 there were received at the Union Stockyards & Transit Co. of Chicago 17,779,435 head of cattle in 309,196 cars.

Do you mean that to apply generally to cattle, or just hogs?

Mr. LEONARD. No, that is a misprint. It should be live stock, instead of cattle.

The CHAIRMAN. Then that does cover cattle, hogs, and sheep?

Mr. LEONARD. Yes.

The CHAIRMAN. I did not think Chicago handled that number of cattle alone?

Mr. LEONARD. Only about 4,000,000 cattle.

The CHAIRMAN. How much real estate, that is acreage, if it is acreage, is included within the ownership of this corporation? I mean how many acres or square feet?

Mr. LEONARD. There are 320 acres in the yards proper. We have probably 500 or 600 acres all told.

The CHAIRMAN. And that total, of course, includes railroad tracks and rights of way?

Mr. LEONARD. Yes.

The CHAIRMAN. You said six hundred and some odd acres. Is that intended to include rights of way?

Mr. LEONARD. Yes.

The CHAIRMAN. What is the taxable value of the real estate of all kinds? What is the taxable value of these 320 acres in Chicago? What is its assessed value for taxation?

Mr. LEONARD. I have not the figures here.

The CHAIRMAN. The president of the company is certainly not looking after the expenses of the company very much if he does not know what the taxes are?

Mr. LEONARD. I could give you the sum total of the taxes.

The CHAIRMAN. I want to know the assessed value of the real estate that is assessed as real estate?

Mr. LEONARD. Then, I will have to accept your criticism, sir. I do not know.

The CHAIRMAN. Have you no approximate idea?

Mr. LEONARD. We can forward that to you, sir.

The CHAIRMAN. But I want to talk about it right now. Do you know what is the taxable value of the property you own that is not assessed as real estate?

Mr. LEONARD. Not assessed as real estate?

The CHAIRMAN. I do not know whether you own any personal property or not. I am trying to find out. Do you own any personal property, I mean the corporation?

Mr. LEONARD. We own a hotel.

The CHAIRMAN. That is not personal property, except its furnishings.

Mr. LEONARD. No; we have very little personal property, sir; except horses.

The CHAIRMAN. Do you know how much taxes you pay to the State of Illinois, in the city of Chicago, or any other tax-collecting body?

Mr. LEONARD. About \$80,000 a year.

The CHAIRMAN. About \$80,000 a year?

Mr. LEONARD. Yes, sir.

NOTE.—The witness later corrected this statement, by letter, showing taxes (exclusive of income and excess-profits taxes) paid during 1917 amounted to \$199,301.92.

The CHAIRMAN. That includes all kinds of taxes?

Mr. LEONARD. That would include all; yes.

The CHAIRMAN. These stockyards, this real estate you are speaking of, is owned in the city? I mean, is located within the city of Chicago?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. It has, therefore, a city market value and a city taxation value?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. Now, what is the commercial value, the market value, or the selling value of the entire property of this company?

Mr. LEONARD. I should say around \$30,000,000.

The CHAIRMAN. Now, that \$30,000,000, then, is covered by the stock or warrants, or whatever it is, that has been issued in the amount of \$8,000,000?

Mr. LEONARD. I want to answer every question and answer it honestly. I know no more about that Maine company than you do.

The CHAIRMAN. Well, it does seem to me that the president of that company ought to know something about who owns it and operates it.

Mr. LEONARD. The Jersey company is the holding company that I come in contact with. Mr. Prince is one of the directors of that holding company. He is also a director in our stockyards company of Illinois, and he is the man, the only one that I know, in the proposition, sir.

The CHAIRMAN. What is the Maine company?

Mr. LEONARD. I do not know any more than what I have heard here while I have been here in the past few weeks.

The CHAIRMAN. Your curiosity has not been very much excited?

Mr. LEONARD. Indeed it has.

The CHAIRMAN. Could you not, the president of the company, find out all about the Maine company and also the New Jersey company if you had made any effort to do so?

Mr. LEONARD. I know about the Jersey company, sir.

The CHAIRMAN. Well, what about the Maine company?

Mr. LEONARD. The Maine company; no.

The CHAIRMAN. You do not seem to know anything about how much stock it has?

Mr. LEONARD. No, sir; not the Maine company.

The CHAIRMAN. Is there any title in your company to this property?

Mr. LEONARD. \$500,000 on the Illinois company.

The CHAIRMAN. I am not talking about whether it has a lien or charge on the property owned by the stockyards, but the Union Stockyards & Transit Co., of Chicago?

Mr. LEONARD. We have thirteen and a half millions of capital stock, with \$500,000 bonds.

The CHAIRMAN. I thought you said you did not know anything about the stock?

Mr. LEONARD. Sir?

The CHAIRMAN. I understood you to say you did not know anything about how much stock was outstanding?

Mr. LEONARD. The Illinois company is owned by the Jersey company, sir.

The CHAIRMAN. Thirteen and a half millions?

Mr. LEONARD. \$13,200,000 of the capital stock of the Illinois corporation and \$500,000 bonds.

The CHAIRMAN. That makes \$13,700,000?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. What is the Illinois company? What is the name of the Illinois corporation?

Mr. LEONARD. Union Stockyard & Transit Co. of Illinois.

The CHAIRMAN. That is the stock it has outstanding?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. Is that entire issue of stock all owned by one company?

Mr. LEONARD. That is all owned by the Jersey company.

The CHAIRMAN. By the Jersey company?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. What stock does it have outstanding?

Mr. LEONARD. It has \$6,500,000 of preferred, \$6,500,000 of common, and \$14,000,000 of bonds.

The CHAIRMAN. \$14,000,000 bonds on its property?

Mr. LEONARD. Yes.

The CHAIRMAN. And this property is the stock of this company?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. What is the Maine company? I do not know what it is called. What is it called? Your lawyer can tell you.

Mr. SHAW. The name I have seen in the press is the Chicago Stockyards Co. of Maine. Strange as it may seem, gentlemen, if we had not seen it in the press, we would never have known anything about it.

The CHAIRMAN. You have not had any curiosity about it?

Mr. SHAW. I have a great deal of curiosity. I can tell you a lot about what I think, but I do not know anything about it at all.

The CHAIRMAN. It appears here in the Trade Commission report, and it does not seem to be denied, that \$7,000,000 of this stock of some company, which seems to be the controlling or owning company, is owned by Mr. Prince, of Boston, and the balance is owned by Mr. Armour, of Chicago.

Mr. LEONARD. We have no knowledge relative to that Maine company, none whatever, sir. That was something we knew nothing about. I did not know anything about it, and I had no knowledge of it until it came out in the trade report, sir.

The CHAIRMAN. What seems startling to me is that with so much capital as there is in Chicago, and with the real functions and the practical operations of the company in Chicago, why nobody there would take any stock in this company, and you would have to sell all the stock in a New Jersey corporation.

Mr. LEONARD. Well, that was done, I think, in 1890, when the railroads parted with it, before my time.

Mr. SHAW. The explanation of that is very simple. Under the charter of the corporation, it could only create a bonded indebtedness of \$500,000. The charter in other respects was a very valuable charter. Not having capital, and not being able to sell bonds, the history of the company shows that in 1890 the stockholders organized a holding company of New Jersey, which acquired the capital stock of this company as shareholders, under its charter. The holding company hypothecated the stock of this company to secure its collateral trust bonds, and by that means acquiring the capital with which to finance the capital requirements of this company, which this company, under the limitations of its own charter, was unable to do. That is the explanation of the organization of the New Jersey company.

The CHAIRMAN. I do not see why the stockholders of these \$13,000,000 of stock would have put it in the hands of the New Jersey company. Was that stock not generally owned by the public?

Mr. SHAW. It was scattered all over the United States.

The CHAIRMAN. The remarkable fact about it is how they ever got it all away from those gentlemen who put it into this other concern.

Mr. SHAW. That also is a matter of history that I will explain as I can. A large number of the stockholders of the Illinois company voluntarily surrendered their stock and took in exchange for it the stock of the New Jersey company. By common consent and agreement they organized the New Jersey company to take over the stock they had in the operating company. The remaining stock, quite a bit of it, when I first went to work in the law office of which I am now a partner, and which has represented this operating company all these years, a very large block of this stock was scattered all over the United States, but little by little the New Jersey company acquired that outstanding minority stock, until some time in the year 1912 or 1913 they bought in the last share.

The CHAIRMAN. They got all of it?

Mr. SHAW. Yes, sir.

The CHAIRMAN. What did they pay for it?

Mr. SHAW. I have not the remotest idea. Some of it they got cheap, some of it they paid several hundred dollars a share for, but toward the end, in order to get it in, they had to pay a good deal more for it.

The CHAIRMAN. And they paid more than it was worth?

Mr. SHAW. They paid more than it was worth for a couple of years. So far as this Maine company is concerned, I do not know what they did about it, but I am stating so far as the New Jersey company is concerned.

The CHAIRMAN. Was not that stock, at the time you speak of this operation going on, good par stock, or over par?

Mr. SHAW. It was always selling above par, because the company was very conservatively financed, and the surplus went back into the property.

The CHAIRMAN. In other words, it was never taken out?

Mr. SHAW. It was never taken out because it was used for disbursements; it was not capitalized.

The CHAIRMAN. The fact is, though, if I gather it from Mr. Leonard and you correctly, that the actual property owned and operated in connection with the stockyards functions, whatever they are, in the city of Chicago, is worth to-day \$30,000,000?

Mr. LEONARD. That is just an approximate estimate, sir.

The CHAIRMAN. I want to know if it is a reasonable estimate?

Mr. LEONARD. I think it is a very reasonable estimate.

The CHAIRMAN. And you think your entire taxation is only \$80,000, is that right?

Mr. LEONARD. I should think so; yes, sir.

The CHAIRMAN. In the city of Chicago?

Mr. LEONARD. Yes.

The CHAIRMAN. What is the taxation in Chicago? I mean the State taxation and the city taxation together. What is the assessment per \$100? I mean, what is the tax per \$100 of assessed value?

Mr. LEONARD. Mr. Shaw states that it is taxed as railroad right of way, a good portion of it, but I have not those figures.

The CHAIRMAN. I do not care in what name it is taxed. I mean what is it assessed for? What is the \$100 general assessment in Chicago, of real estate, generally, in Chicago? What is the assessed value? I mean, how much is the tax per \$100?

Mr. LEONARD. I understand what you mean—what is the rate per \$100. I have not that in my mind.

The CHAIRMAN. Are you not a taxpayer on real estate in Chicago?

Mr. LEONARD. I am.

The CHAIRMAN. Then you ought to know.

Mr. LEONARD. I am a taxpayer.

The CHAIRMAN. I mean regardless of this property?

Mr. LEONARD. I mean regardless of this property, also.

The CHAIRMAN. I thought that you, being the president of a \$30,000,000 corporation, would own some taxable property. Now, what is the rate of taxation per \$100 on property in Chicago? I do not mean the city taxes alone, but the city, State, and others combined?

Mr. LEONARD. I realize what you mean, but I have not the figures in my mind.

The CHAIRMAN. Can you not say about how much it is? Can you not give an estimate?

Mr. LEONARD. I do not want to guess on it.

The CHAIRMAN. Your taxes must not be much of a burden on you. Most of us think about it all the year around.

Mr. LEONARD. As compared with Massachusetts taxes, they are not much of a burden.

The CHAIRMAN. Well, do you know what it is?

Mr. SHAW. Under the law of the State, Mr. Chairman, theoretically property is supposed to be taxed at its real value—that is, 100 per cent—but, as a matter of fact, it never is. Real property is generally taxed all over the city at much less than 100 per cent of its real

value, and while I suppose the assessors have some principle in mind which controls them, it is what they happen to assess here, there, and yonder.

I will explain a little bit further. Theoretically, it is about 6 per cent of the valuation, but this property here is peculiarly situated. We have a real estate and tax expert that handles most of that proposition. A great deal of this property is railroad rights of way which is taxed very differently from real estate property that is assessed as such. I can not explain it to you myself, although I am a lawyer, but we can easily furnish you the figures from our real estate tax expert and send them to you.

The CHAIRMAN. One hundred and thirty and some odd acres that are within the stockyards property, which is assessed as railroad rights of way?

Mr. SHAW. Yes, sir; that is one of the peculiar features of the property. The corporation was permitted to construct a railroad and also to run its stockyards, and it did construct a railroad all in and around its stockyards, miles and miles of it. That railroad has since been leased to another company, but the real estate on which the property is located is still assessed against the yards as railroad rights of way, a very large portion of it.

The CHAIRMAN. Well, I will ask this question then, and I do not care who answers it, so it is correctly answered. Is the real estate owned by this company taxed upon the same basis of value as adjoining and surrounding real estate?

Mr. SHAW. That part of it which is not assessed as railroad right of way is. That part of it which is not assessed as railroad right of way. What the acreage is that is assessed one way and what the other, I could not tell you.

The CHAIRMAN. What is the difference, then, in the taxation assessment on railroad right of way and other real estate situated and located just as the right of way is situated and located? What is the difference, if there is any difference?

Mr. SHAW. The difference is that it is taxed per mile of railroad.

The CHAIRMAN. Do you know what the difference is per acre or per foot?

Mr. SHAW. I do not want to get into a controversy with you, Mr. Chairman, but the railroad right of way is not taxed in Illinois per acre or per foot. This valuation is placed on it per mile of railroad.

The CHAIRMAN. Per mile of line?

Mr. SHAW. Yes, sir. I can give you just what our railroad property is taxed at, and what we pay for it. I will be very glad to furnish that to you.

The CHAIRMAN. What I am trying to find out is whether there is any difference, so far as the assessed value is concerned, between the same amount of real estate contained in a railroad right of way, within the same limits in the same city, and other real estate adjoining it, connected with it, in the same city. Is there any difference in value, computed from the standpoint of the number of acres, or the number of feet, no matter whether 100 feet or 1,000 acres, between 1 acre of that right of way and 1 acre of land adjoining it, subject to the same taxation. What is the difference, if there is any difference?

Mr. SHAW. All real estate, when taxed as railroad right of way, is supposed to be taxed very differently from real estate when taxed as real estate. For instance, I have not the slightest doubt, without having the figures before me here, that the assessment upon the real estate of this company which is not assessed as railroad right of way, is very, very different from the assessment on the real estate which is included in the railroad right of way.

The CHAIRMAN. Then about what is the percentage?

Mr. SHAW. Now, that is not my specialty at all. I do not know anything about it.

The CHAIRMAN. You do not have to have any specialty to have an idea of what the difference in value is?

Mr. SHAW. I can not answer that question.

The CHAIRMAN. At any rate, the tax burden on the real estate owned by this stockyards company in Chicago is less than the tax burden on similar property similarly located in the same town or city, subject to the same taxation. Is that your statement?

Mr. SHAW. Yes and no. As to that which is taxed as real estate, it is taxed on just exactly the same basis, and that which is taxed as railroad right of way is taxed as other railroad property in the city is. That is all I can say.

The CHAIRMAN. About how much of these 600 acres—I am speaking in round numbers—is taxed as railroad right-of-way property?

Mr. LEONARD. I was just trying to think that out, sir. I should say all but about 100 acres.

The CHAIRMAN. All but about 100 acres taxed as right of way?

Mr. LEONARD. Yes.

The CHAIRMAN. Then, the other 100 acres is assessed just as any other property?

Mr. LEONARD. Yes, sir.

The CHAIRMAN. There is a very decided advantage, from the standpoint of the corporation's expenses, in being able to pay its taxes on this five-sixths of its property—I believe you said 600 acres—at a different valuation from all other property in the same city similarly located is taxed?

Mr. LEONARD. But most of this property is covered with track, sir.

The CHAIRMAN. I know, but it is a great advantage, you have a great advantage in the amount of taxes you have to pay over anyone else who has the same kind of property similarly located, but not assessed as railroad right of way? Does not that follow absolutely?

Mr. LEONARD. Well, I really do not know.

The CHAIRMAN. Well, the Chicago stockyards, as a company, has an advantage over any stockyards located anywhere else in Chicago—is there any other stockyard there?

Mr. LEONARD. No, sir.

The CHAIRMAN. Then, it has an advantage over any stockyard located in any other city that does not enjoy a similar discrimination in taxation—favorable discrimination?

Mr. LEONARD. I do not think there is discrimination in taxation, sir.

The CHAIRMAN. Absolutely.

Mr. LEONARD. Because all the railroads pay the same. We are assessed on the railroad property the same as all the other railroads in Chicago, and it is used for railroad purposes.

The CHAIRMAN. Therefore, this stockyards is, in fact and reality, a railroad terminal that performs the same functions of a terminal company owned and operated by a railroad company?

Mr. LEONARD. No, sir; it is a market for live stock, sir.

The CHAIRMAN. But it gets favorable taxation?

Mr. LEONARD. That does not change it one bit.

The CHAIRMAN. It gets the favor of a lower tax by reason of treating it as a transportation facility instead of treating it as a local industry. In that way it has an advantage over stockyards anywhere else not so treated?

Mr. LEONARD. I think that is a negligible amount, however, sir.

The CHAIRMAN. Well, would it not be much more to the interests of the stockholders of that company to absorb the business, as far as possible, in opposition to other companies located anywhere else in the United States that are not enjoying this advantage of the reduced burden of taxation?

Mr. LEONARD. I do not concede that.

The CHAIRMAN. Can you not make a greater profit, to the extent of the difference in taxation?

Mr. LEONARD. No; because the Omaha stockyards are taxed on a much lower rate than we are in Chicago.

The CHAIRMAN. I am talking about Chicago. It looks to me as plain as it can be, although it is not the fault of the stockyard-company!

Mr. LEONARD. I regret very much I can not answer your question intelligently. Had I known that there was going to be any question of taxation I should have been prepared for it, but, as Mr. Shaw has stated, that is handled wholly by the attorneys in the tax department.

The CHAIRMAN. I would naturally suppose, Mr. Leonard, that a man of your undoubted business qualifications and as the president of this company for many long years, that you would not have required to be notified in advance, but that you would know that which anybody would naturally presume you would know, from the position you occupy.

Mr. LEONARD. I will have to accept that criticism, sir.

The CHAIRMAN. I thought there must be something in the history of this stockyard that takes three companies to operate it and put it through and handle the stock and pay the taxes—or not pay them—but so far we have not any clear statement in this case. I want to say this, that I would not be in favor of passing this bill for the whole United States upon this local situation in Chicago as to stockyards any more than I would be in favor of passing it with reference to any other place, but the theory of the bill is that the stockyards are a terminal facility, and should be operated by the railroad company itself; that the stockyards naturally and properly are transportation facilities, and should, therefore, be owned by the transportation companies, which, of course, are the railroads.

Mr. LEONARD. But a market is not a transportation facility.

The CHAIRMAN. I know, but the market goes with the operation of the stockyards, like that in Chicago and many others, and the market feature is entirely different, but the market features could be operated just the same with railroad ownership as the other features of the property there?

Mr. LEONARD. But the railroads in Chicago owned this property and operated it and found they were not competent to continue its operation as a market, and disposed of it.

The CHAIRMAN. The fact, as you contend, is that the railroads were not capable of performing all the functions that go with transportation, the natural public-utility transportation facilities.

Mr. LEONARD. You mean the market?

The CHAIRMAN. The market is no part of the transportation. I am talking about the transportation features, not the market. I think the market buying and selling, etc., was all very proper. I mean the natural necessary transportation facilities. This property is being treated by the tax assessors in this city as a transportation facility, and is being taxed as a right of way.

Mr. LEONARD. I presume that followed by reason of its origin through the medium of a transportation organization.

The CHAIRMAN. It began naturally as a facility owned by a transportation company?

Mr. LEONARD. And they found they could not handle it successfully and turned it over to others.

The CHAIRMAN. And these transportation companies found they could give all the service which they were called on by law to perform by disposing of that property, and they did so because they thought it was to their interest to do so. In other words, it was because they thought it ought to be disposed of in one way or the other. I do not know what the motive was. But I can not see why it would absolutely destroy the market facilities in Chicago by the city of Chicago, the railroad companies, or for the Government of the United States to own your stockyards, which would be the ownership of real estate—tangible property. I do not see how that could possibly prevent a reasonable service provided the railroads, as privately owned transportation companies, do that which their obligations call on them to do; that is, perform the ordinary transportation service?

Mr. LEONARD. I see; yes, sir.

Mr. PARKER. You said you were acquainted with the New Jersey company. Who owns the stock of the New Jersey company?

Mr. LEONARD. Mr. Prince, so far as I know, sir.

Mr. PARKER. The New Jersey company?

Mr. LEONARD. Yes; the New Jersey company is represented by Mr. Prince.

Mr. PARKER. Nobody else?

Mr. LEONARD. That I do not know.

Mr. PARKER. You do not have anything to do with it?

Mr. LEONARD. No; that is down in New York or New Jersey.

Mr. PARKER. Who is the president of that company?

Mr. LEONARD. I think Mr. F. H. Prince is the president of that company.

Mr. PARKER. He is vice president, is he not?

Mr. LEONARD. He is vice president; yes, sir.

Mr. PARKER. You say his offices are in New York?

Mr. LEONARD. I presume the offices of the New Jersey company are in New Jersey. There is a New York office, I think, sir.

Mr. PARKER. Who are the directors?

Mr. LEONARD. I really do not know.

Mr. PARKER. They furnish all the funds and own all your stock. and they give you directions from time to time, do they not, from the live company?

Mr. LEONARD. I think we are the live company.

Mr. PARKER. You have a board of directors, have you not?

Mr. LEONARD. Yes, sir.

Mr. PARKER. They elect your board of directors?

Mr. LEONARD. The board of directors is elected by proxies that are sent on by the Jersey company.

Mr. PARKER. Does your board of directors hold meetings?

Mr. LEONARD. Yes.

Mr. PARKER. Do they manage the affairs of the Chicago company?

Mr. LEONARD. Absolutely; that is, the Illinois corporation.

Mr. PARKER. The whole operation of the corporation?

Mr. LEONARD. Yes, sir; I operate it.

Mr. PARKER. You say they did not borrow the money, but that the other fellow had to borrow the money?

Mr. LEONARD. Yes, sir.

Mr. PARKER. Did the Illinois corporation know that the Jersey corporation borrowed it?

Mr. LEONARD. I can not tell you that, sir. That was prior to my time.

Mr. PARKER. But how do you get money now? Do you get money from them now?

Mr. LEONARD. No; we do not get money from them now.

Mr. PARKER. Do you pay dividends to them?

Mr. LEONARD. Yes, sir.

Mr. PARKER. What was paid last year?

Mr. LEONARD. 8.4 last year.

Mr. PARKER. To the New Jersey company?

Mr. LEONARD. To the Jersey company.

Mr. PARKER. Nothing else?

Mr. LEONARD. Yes, sir.

Mr. PARKER. Was it in one check?

Mr. LEONARD. One check.

Mr. PARKER. You do not know how they distributed it?

Mr. LEONARD. It is paid quarterly.

Mr. PARKER. In one check to the Jersey company, and you do not know how they distributed it?

Mr. LEONARD. No, sir.

Mr. PARKER. You say that your directors and yourself were elected by proxies furnished by the Jersey company?

Mr. LEONARD. Yes, sir.

Mr. PARKER. That is all you know about it?

Mr. LEONARD. Yes, sir.

Mr. PARKER. But you do not know how the Chicago company got the benefit of the big loans that were made by the Jersey company, or how they got the money?

Mr. LEONARD. That was before my time.

Mr. PARKER. The money went into other hands and did not go into your hands?

Mr. LEONARD. Yes.

Mr. PARKER. It was spent on improvements though, was it not?

Mr. LEONARD. It was spent on improvements in the yards, prior to my time. After the Jersey company acquired possession of the yards there was a very large house built that must have cost somewhere in the neighborhood of three or four million dollars. The facilities were improved and enlarged, and trackage constructed, sir.

Mr. PARKER. When was that? Was that in your time?

Mr. LEONARD. No, sir; that was prior to my time.

Mr. PARKER. Have any large improvements been made since your time?

Mr. LEONARD. Yes, sir.

Mr. PARKER. What has been done?

Mr. LEONARD. We have bricked the yards.

Mr. PARKER. Who has done that, your company or the New Jersey company?

Mr. LEONARD. Our company, out of our earnings.

Mr. PARKER. Is that everything that has been paid for out of your earnings during the 20 years you have been there?

Mr. LEONARD. Yes, sir.

Mr. PARKER. Then you got a dividend besides from time to time, which was paid to the New Jersey company?

Mr. LEONARD. Yes, sir.

(Whereupon, at 5.35 o'clock p. m., the committee adjourned to meet to-morrow, Friday, January 31, 1919, at 10.30 o'clock a. m.)

UNION STOCKYARD & TRANSIT CO., OF CHICAGO, ILL.,
UNION STOCKYARDS,
Chicago, February 3, 1919.

DEAR SIR: Upon returning home I find that my answer to your inquiry as to the amount of our general tax, to which I replied that it was about eighty thousand a year, is entirely erroneous.

The general tax for 1917 is.....	\$190,899.42
Capital stock.....	8,502.50
Income and excess profit.....	264,685.61

Total.....	464,087.53
------------	------------

I would appreciate thoroughly if you will have these figures incorporated in the record of my testimony before your committee. Thanking you for the courtesies extended, I am,

Yours, very truly,

ARTHUR G. LEONARD, *President.*

HON. THETUS W. SIMS.

*Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.*

4

1

